Notes to the Accounts

1 Basis of preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts have been prepared under the historical cost convention except for certain properties and financial instruments which are stated at fair values, as explained in the significant accounting policies set out in note 2.

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2009. The adoption of these new and revised standards, amendments and interpretations has resulted in changes to the format of the Group's accounts in 2009 (including revised titles for these accounts), the transfer of investment properties under construction from fixed assets to investment properties and a change to the Group's accounting policy in respect of customer loyalty credits that has affected the amounts reported for the current and prior years. In addition, the Group's policy in relation to telecommunications customer acquisition costs has been changed. Information on the effect of the adoption of the aforementioned new and revised standards, amendments and interpretations, and the new accounting policies is set out below:

(a) Revised titles for accounts

The adoption of HKAS 1 (Revised), Presentation of Financial Statements, has resulted in changes to the titles for these accounts:

New titles	Corresponding old titles / Note to accounts
— Consolidated Income Statement	— Consolidated Profit and Loss Account
— Consolidated Statement of Comprehensive Income	— Consolidated Statement of Recognised Income and Expense
— Consolidated Statement of Financial Position	— Consolidated Balance Sheet
— Consolidated Statement of Cash Flows	— Consolidated Cash Flow Statement
— Consolidated Statement of Changes in Equity	— Note 32 "Equity" to 2008 Accounts

(b) Investment Property

The adoption of amendments to HKAS 40 has resulted in the transfer of investment properties under construction from fixed assets to investment properties and increased profit before tax (before share of associated companies and jointly controlled entities' tax expenses) and profit attributable to shareholders of the Company for the year ended 31 December 2009 by HK$1,265 million and HK$1,027 million respectively.

(c) Customer loyalty credits

Hong Kong (IFRIC) Interpretation 13, Customer Loyalty Programmes requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group maintains loyalty points programmes within its Retail division which allows customers to accumulate points when they purchase products in the retail stores. These points can then be redeemed for free or discounted products, subject to certain terms and conditions. The Group has historically recorded a liability at the time of sale based on the costs expected to be incurred to supply awards in the future. With effect from 1 January 2009, in order to comply with Hong Kong (IFRIC) Interpretation 13, this change in accounting policy has been applied retrospectively. Comparative information has been restated to reflect this change in policy.

(d) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers.

In prior years these costs to acquire and retain customers on contracts with early termination penalty clauses were capitalised and amortised over the period of the contract which is generally a period of 12 to 24 months. Having undertaken a comprehensive review of the policies of other businesses operating in the telecommunications sector particularly those operating in Europe, with effect from 1 January 2009, the Group has changed its policy to expense these costs in operating expenses as the costs are incurred. The Group believes that this change will bring our policy in line with other major telecommunications companies, provide greater comparability with such businesses and align more closely our profit and loss performance with our cash flow, and will therefore provide reliable and more relevant information to shareholders and other users of the accounts. Comparative information has been restated to reflect this change in policy.

1 Basis of preparation (continued)

(e) The effect of the adoption of other new and revised standards, amendments and interpretations issued by the HKICPA that are relevant to the Group's operation and mandatory for annual periods beginning 1 January 2009 is not material to the Group's results of operations or financial position.

(f) As a result of the changes in accounting policies mentioned above (notes 1(c) and 1(d)), certain adjustments have been made to the comparative information. The effect, where material, of these changes are summarised below:

(i) *Effect on the consolidated income statement for the year ended 31 December 2007*

		Changes in accounting policies		
	As previously reported HK$ millions	Customer loyalty credits HK$ millions	Telecommunications CACs HK$ millions	As restated HK$ millions
Company and subsidiary companies:				
Revenue	218,726	(48)	–	218,678
Cost of inventories sold	(73,977)	–	442	(73,535)
Staff costs	(29,325)	–	50	(29,275)
3 Group telecommunications expensed customer acquisition costs	(5,732)	–	5,732	–
Telecommunications customer acquisition costs	–	–	(18,550)	(18,550)
Depreciation and amortisation	(38,872)	–	13,522	(25,350)
Other operating expenses	(56,448)	41	501	(55,906)
Change in fair value of investment properties	1,988	–	–	1,988
Profit (loss) on disposal of investments and others	(11,182)	–	920	(10,262)
Share of profits less losses after tax of:				
Associated companies before profit on disposal of investments and others	12,002	–	(19)	11,983
Jointly controlled entities	3,338	–	–	3,338
Associated company's profit on disposal of an investment and others	35,820	–	–	35,820
	56,338	(7)	2,598	58,929
Interest and other finance costs	(19,054)	–	–	(19,054)
Profit before tax	37,284	(7)	2,598	39,875
Current tax charge	(2,768)	–	–	(2,768)
Deferred tax charge	(1,651)	–	–	(1,651)
Profit after tax	32,865	(7)	2,598	35,456
Allocated as: Profit attributable to minority interests	(2,265)	–	100	(2,165)
Profit attributable to shareholders of the Company	30,600	(7)	2,698	33,291
Earnings per share for profit attributable to shareholders of the Company	HK$7.18	–	HK$0.63	HK$7.81

1 Basis of preparation (continued)

(ii) Effect on the consolidated statement of financial position as at 1 January 2008

	As previously reported	Changes in accounting policies: Customer loyalty credits	Changes in accounting policies: Telecommunications CACs	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ASSETS				
Non-current assets				
Fixed assets	181,342	–	–	181,342
Investment properties	43,680	–	–	43,680
Leasehold land	36,272	–	–	36,272
Telecommunications licences	91,897	–	–	91,897
Telecommunications postpaid customer acquisition and retention costs	8,771	–	(8,771)	–
Goodwill	31,520	–	53	31,573
Brand names and other rights	10,901	–	–	10,901
Associated companies	75,545	–	–	75,545
Interests in joint ventures	39,725	–	–	39,725
Deferred tax assets	17,619	–	–	17,619
Other non-current assets	5,082	–	–	5,082
Liquid funds and other listed investments	69,192	–	–	69,192
	611,546	–	(8,718)	602,828
Current assets				
Cash and cash equivalents	111,307	–	–	111,307
Trade and other receivables	55,374	–	–	55,374
Inventories	20,999	–	–	20,999
	187,680	–	–	187,680
Current liabilities				
Trade and other payables	90,029	112	–	90,141
Bank and other debts	50,255	–	–	50,255
Current tax liabilities	2,336	–	–	2,336
	142,620	112	–	142,732
Net current assets	45,060	(112)	–	44,948
Total assets less current liabilities	656,606	(112)	(8,718)	647,776
Non-current liabilities				
Bank and other debts	260,086	–	–	260,086
Interest bearing loans from minority shareholders	12,508	–	–	12,508
Deferred tax liabilities	17,957	–	–	17,957
Pension obligations	1,468	–	–	1,468
Other non-current liabilities	5,929	–	–	5,929
	297,948	–	–	297,948
Net assets	358,658	(112)	(8,718)	349,828
CAPITAL AND RESERVES				
Share capital	1,066	–	–	1,066
Reserves	308,948	(112)	(8,033)	300,803
Total shareholders' funds	310,014	(112)	(8,033)	301,869
Minority interests	48,644	–	(685)	47,959
Total equity	358,658	(112)	(8,718)	349,828

1 Basis of preparation (continued)

(iii) Effect on the consolidated income statement for the year ended 31 December 2008

	As previously reported	Changes in accounting policies: Customer loyalty credits	Changes in accounting policies: Telecommunications CACs	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Company and subsidiary companies:				
Revenue	235,461	17	–	235,478
Cost of inventories sold	(77,460)	–	288	(77,172)
Staff costs	(32,053)	–	124	(31,929)
3 Group telecommunications expensed customer acquisition costs	(3,457)	–	3,457	–
Telecommunications customer acquisition costs	–	–	(22,926)	(22,926)
Depreciation and amortisation	(37,447)	–	12,571	(24,876)
Other operating expenses	(67,300)	(7)	1,306	(66,001)
Change in fair value of investment properties	672	–	–	672
Profit on disposal of investments and others	3,458	–	–	3,458
Share of profits less losses after tax of:				
Associated companies before profit on disposal of investments and others	12,522	–	–	12,522
Jointly controlled entities	5,286	–	–	5,286
Associated company's profit on disposal of an investment and others	3,122	–	–	3,122
	42,804	10	(5,180)	37,634
Interest and other finance costs	(17,286)	–	–	(17,286)
Profit before tax	25,518	10	(5,180)	20,348
Current tax charge	(3,444)	–	1	(3,443)
Deferred tax credit	2,576	–	–	2,576
Profit after tax	24,650	10	(5,179)	19,481
Allocated as: Profit attributable to minority interests	(6,986)	–	186	(6,800)
Profit attributable to shareholders of the Company	17,664	10	(4,993)	12,681
Earnings per share for profit attributable to shareholders of the Company	HK$4.14	–	(HK$1.17)	HK$2.97

1 Basis of preparation (continued)

(iv) Effect on the consolidated statement of financial position as at 31 December 2008

	As previously reported	Changes in accounting policies: Customer loyalty credits	Changes in accounting policies: Telecommunications CACs	As restated
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
ASSETS				
Non-current assets				
Fixed assets	173,246	–	–	173,246
Investment properties	41,282	–	–	41,282
Leasehold land	34,745	–	–	34,745
Telecommunications licences	72,175	–	–	72,175
Telecommunications postpaid customer acquisition and retention costs	12,022	–	(12,022)	–
Goodwill	30,318	–	118	30,436
Brand names and other rights	10,486	–	–	10,486
Associated companies	76,478	–	–	76,478
Interests in joint ventures	45,865	–	–	45,865
Deferred tax assets	13,248	–	–	13,248
Other non-current assets	8,904	–	–	8,904
Liquid funds and other listed investments	30,735	–	–	30,735
	549,504	–	(11,904)	537,600
Current assets				
Cash and cash equivalents	57,286	–	–	57,286
Trade and other receivables	54,767	–	–	54,767
Inventories	18,528	–	–	18,528
	130,581	–	–	130,581
Current liabilities				
Trade and other payables	82,497	102	–	82,599
Bank and other debts	23,945	–	–	23,945
Current tax liabilities	1,275	–	(1)	1,274
	107,717	102	(1)	107,818
Net current assets	22,864	(102)	1	22,763
Total assets less current liabilities	572,368	(102)	(11,903)	560,363
Non-current liabilities				
Bank and other debts	234,141	–	–	234,141
Interest bearing loans from minority shareholders	13,348	–	–	13,348
Deferred tax liabilities	13,616	–	–	13,616
Pension obligations	2,541	–	–	2,541
Other non-current liabilities	4,586	–	–	4,586
	268,232	–	–	268,232
Net assets	304,136	(102)	(11,903)	292,131
CAPITAL AND RESERVES				
Share capital	1,066	–	–	1,066
Reserves	270,510	(102)	(11,155)	259,253
Total shareholders' funds	271,576	(102)	(11,155)	260,319
Minority interests	32,560	–	(748)	31,812
Total equity	304,136	(102)	(11,903)	292,131

1 Basis of preparation (continued)

(v) Estimated effect on the consolidated income statement for the year ended 31 December 2009

	Changes in accounting policies: Customer loyalty credits HK$ millions	Changes in accounting policies: Telecommunications CACs HK$ millions	Total HK$ millions
Company and subsidiary companies:			
Revenue	(13)	–	(13)
Cost of inventories sold	–	–	–
Staff costs	–	–	–
Telecommunications customer acquisition costs	–	(12,925)	(12,925)
Depreciation and amortisation	–	13,480	13,480
Other operating expenses	11	–	11
Change in fair value of investment properties	–	–	–
Profit on disposal of investments and others	–	–	–
Share of profits less losses after tax of:			
Associated companies before profit on disposal of investments and others	–	–	–
Jointly controlled entities	–	–	–
Associated company's profit on disposal of an investment and others	–	–	–
	(2)	555	553
Interest and other finance costs	–	–	–
Profit before tax	(2)	555	553
Current tax credit	–	1	1
Deferred tax credit	–	66	66
Profit after tax	(2)	622	620
Allocated as: Loss attributable to minority interests	–	339	339
Profit attributable to shareholders of the Company	(2)	961	959
Earnings per share for profit attributable to shareholders of the Company	–	HK$0.23	HK$0.23

1 Basis of preparation (continued)

(vi) Estimated effect on the consolidated statement of financial position as at 31 December 2009

	Changes in accounting policies: Customer loyalty credits HK$ millions	Changes in accounting policies: Telecommunications CACs HK$ millions	Total HK$ millions
ASSETS			
Non-current assets			
Fixed assets	–	–	–
Investment properties	–	–	–
Leasehold land	–	–	–
Telecommunications licences	–	–	–
Telecommunications postpaid customer acquisition and retention costs	–	(12,113)	(12,113)
Goodwill	–	129	129
Brand names and other rights	–	–	–
Associated companies	–	–	–
Interests in joint ventures	–	–	–
Deferred tax assets	–	–	–
Other non-current assets	–	–	–
Liquid funds and other listed investments	–	–	–
	–	(11,984)	(11,984)
Current assets			
Cash and cash equivalents	–	–	–
Trade and other receivables	–	–	–
Inventories	–	–	–
	–	–	–
Current liabilities			
Trade and other payables	104	–	104
Bank and other debts	–	–	–
Current tax liabilities	–	(3)	(3)
	104	(3)	101
Net current assets	(104)	3	(101)
Total assets less current liabilities	(104)	(11,981)	(12,085)
Non-current liabilities			
Bank and other debts	–	–	–
Interest bearing loans from minority shareholders	–	–	–
Deferred tax liabilities	–	(67)	(67)
Pension obligations	–	–	–
Other non-current liabilities	–	–	–
	–	(67)	(67)
Net assets	(104)	(11,914)	(12,018)
CAPITAL AND RESERVES			
Share capital	–	–	–
Reserves	(104)	(10,821)	(10,925)
Total shareholders' funds	(104)	(10,821)	(10,925)
Minority interests	–	(1,093)	(1,093)
Total equity	(104)	(11,914)	(12,018)

2 Significant accounting policies

(a) Basis of consolidation

The consolidated accounts of the Group include the accounts for the year ended 31 December 2009 of the Company and of all its direct and indirect subsidiary companies and also incorporate the Group's interest in associated companies and jointly controlled entities on the basis set out in notes 2(c) and 2(d) below. Results of subsidiary and associated companies and jointly controlled entities acquired or disposed of during the year are included as from their effective dates of acquisition to 31 December 2009 or up to the dates of disposal as the case may be. The acquisition of subsidiaries is accounted for using the purchase method.

(b) Subsidiary companies

A subsidiary is an entity that the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. In the consolidated accounts, subsidiary companies are accounted for as described in note 2(a) above. In the unconsolidated accounts of the holding company, investments in subsidiary companies are carried at cost less provision for impairment in value.

(c) Associated companies

An associate is an entity, other than a subsidiary or a jointly controlled entity, in which the Group has a long-term equity interest and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

A jointly controlled entity is a joint venture which involves the establishment of a separate entity. The results and assets and liabilities of jointly controlled entities are incorporated in these accounts using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of fifty years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right of renewal is attached.

Depreciation of other fixed assets is provided at rates calculated to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 $\frac{1}{3}$ - 20%
Container terminal equipment	3 - 20%
Telecommunications equipment	2.5 - 10%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

2 Significant accounting policies (continued)

(e) Fixed assets (continued)

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

With effect from 1 January 2009, the Group has revised the estimated useful lives of certain plant, machinery and equipment and container terminal equipment from 3-25 years and 5-25 years to 5-25 years and 5-35 years respectively.

The effect of the change in the estimated useful lives has been recognised prospectively. If the Group had continued with the useful lives as estimated during the previous year, the depreciation charged to the income statement of the current year would have been higher by approximately HK$450 million with a corresponding decrease in the carrying value of fixed assets. It is expected that this change in estimate will have a similar effect in future periods.

(f) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. Changes in fair values of investment properties are recorded in the income statement.

(g) Leasehold land

The acquisition costs and upfront payments made for leasehold land are presented on the face of the statement of financial position as leasehold land and expensed in the income statement on a straight-line basis over the period of the lease.

(h) Telecommunications licences

Telecommunications licences are comprised of the upfront payments made for acquiring telecommunications spectrum licences plus the capitalised present value of fixed periodic payments to be made in subsequent years, together with the interest accrued prior to the date of first commercial usage of the spectrum.

Telecommunications licences that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Telecommunications licences with finite useful lives are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected contracted or expected licence periods ranging from approximately 9 to 20 years and are stated net of accumulated amortisation.

With effect from 1 January 2009, the Group has revised its estimate of the useful life of its 3G licence in Italy and the UK to indefinite time period. The Group obtained its 3G licence in Italy in 2001 with an initial licence period of 15 years. In 2002, the contractual term of Group's 3G licence in Italy was extended from 15 years to 20 years at no additional costs. In 2007, the Ministry of the Italian Government announced that 3G licences can be further extended for another 15 years to 35 years on the submission of a valid application. In 2007, the Group submitted an application to extend the licence period of its 3G licences in Italy from 20 years to 35 years. In 2009, the Ministry of the Italian Government further confirmed that the Group's 3G licence term can be continuously extended for a period equivalent to the previous term, effectively making it a perpetual licence.

The Group obtained its 3G licence in the UK in 2000 with an initial licence period of 21 years. In January 2009, the UK Government issued its policy on broadband for Britain that included a proposal to make the terms of 3G licences indefinite. In March 2010, the UK Government laid before the houses of Parliament a Statutory Instrument to give direction to the Office of Communications, which regulates the UK's broadcasting, telecommunications and wireless communications sectors, inter alia to make 3G licences in the UK indefinite. The useful life of the **3** UK licence was revised on the basis that the Statutory Instrument currently before the UK houses of Parliament, which inter alia changes the life of the licence to indefinite, will be enacted by the current Parliament.

2 Significant accounting policies (continued)

(h) Telecommunications licences (continued)

Based on the above and other developments, amortisation of licence of **3** Italy and **3** UK ceased with effect from 1 January 2009. The effect of this change in accounting estimate of the useful life of the Group's 3G licences in Italy and the UK has been recognised prospectively, resulting in a reduction in the amortisation expense of **3** Italy and **3** UK charged to the current year's income statement by approximately HK$969 million and HK$2,926 million respectively which compares to a charge of HK$1,026 million and HK$3,453 million respectively for the year ended 31 December 2008 (difference from 2009 effect is due to exchange rate fluctuations). It is expected that this change in estimated useful life will have a similar effect of reducing amortisation expense in future years. In the unlikely event that the UK Statutory Instrument does not pass through the parliamentary process, the estimated life of **3** UK licence will most likely revert to the initial licence period of 21 years and on that basis, the carrying amount of **3** UK licence will be amortised over the remaining term of the initial licence period of 21 years.

(i) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs ("CACs") comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers. All telecommunications CACs are expensed and recognised in the income statement in the period in which they are incurred.

(j) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition is retained at the carrying amount as a separate asset or, as applicable, included within investments in associated companies and jointly controlled entities at the date of acquisition, and subject to impairment test annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal of subsidiary company, associated company or jointly controlled entity is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(k) Brand names and other rights

The payments made for acquiring brand names and other rights are capitalised. Brand names and other rights with indefinite lives are not amortised. Brand names and other rights with finite lives are amortised on a straight-line basis from the date of their first commercial usage over their estimated useful lives ranging from approximately 3 to 40 years. Brand names and other rights are stated net of accumulated amortisation, if any.

(l) Deferred tax

Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Significant accounting policies (continued)

(m) Liquid funds and other listed investments and other unlisted investments

"Liquid funds and other listed investments" are investments in listed / traded debt securities, listed equity securities, long-term deposits and cash and cash equivalents. "Other unlisted investments", disclosed under other non-current assets, are investments in unlisted debt securities, unlisted equity securities and infrastructure projects. These investments are recognised and derecognised on the date the Group commits to purchase or sell the investments or when they expire. These investments are classified and accounted for as follows:

Loans and receivables

"Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Held-to-maturity investments

"Held-to-maturity investments" are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. At the end of the reporting period subsequent to initial recognition, held-to-maturity investments are carried at amortised cost less impairment. Interest calculated using the effective interest method is recognised in the income statement.

Financial assets at fair value through profit or loss

"Financial assets at fair value through profit or loss" are financial assets where changes in fair value are recognised in the income statement in the period in which they arise. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value. In addition, any dividends or interest earned on these financial assets are recognised in the income statement.

Available-for-sale investments

"Available-for-sale investments" are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At the end of the reporting period subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognised in investment revaluation reserve is removed from investment revaluation reserve and recognised in the income statement.

(n) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. The Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair value are recognised based on whether certain qualifying criteria under Hong Kong Accounting Standard ("HKAS") 39 are satisfied in order to apply hedge accounting, and if so, the nature of the items being hedged.

Derivatives designated as hedging instruments to hedge the fair value of recognised assets or liabilities may qualify as fair value hedges. The Group mainly enters into interest rate swap contracts to swap certain fixed interest rate borrowings into floating interest rate borrowings. Changes in the fair value of these derivative contracts, together with the changes in the fair value of the hedged assets or liabilities attributable to the hedged risk are recognised in the income statement as interest and other finance costs. At the same time the carrying amount of the hedged asset or liability in the statement of financial position is adjusted for the changes in fair value.

2 Significant accounting policies (continued)

(n) Derivative financial instruments and hedging activities (continued)

Derivatives designated as hedging instruments to hedge against the cash flows attributable to recognised assets or liabilities or forecast payments may qualify as cash flow hedges. The Group mainly enters into interest rate swap contracts to swap certain floating interest rate borrowings to fixed interest rate borrowings and foreign currency contracts to hedge the currency risk associated with certain forecast foreign currency payments and obligations. Changes in the fair value of these derivative contracts are recognised in other comprehensive income and accumulated under the heading of hedging reserve. Amounts accumulated are removed from hedging reserve and recognised in the income statement in the periods when the hedged derivative contract matures, except, when the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the amounts accumulated are transferred from hedging reserve and, then it is included in the initial cost of the asset or liability.

Derivatives that do not qualify for hedge accounting under HKAS 39 will be accounted for with the changes in fair value being recognised in the income statement.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(p) Properties under development

Land for properties under development is stated at cost and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion, including capitalised interest on related loans.

(q) Inventories

Inventories consist mainly of retail goods and the carrying value is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(s) Borrowings and borrowing costs

The Group's borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings and debt instruments is recognised over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2 Significant accounting policies (continued)

(u) Customer loyalty credits

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.

(v) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(w) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(x) Leased assets

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Leases payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to the income statement. All other leases are accounted for as operating leases and the rental payments are charged to the income statement on accrual basis.

(y) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(z) Pension plans

Pension plans are classified into defined benefit and defined contribution plans.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs are charged against the income statement within staff costs.

The pension plans are generally funded by the relevant Group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

2 Significant accounting policies (continued)

(aa) Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group companies' estimate of their shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at the end of the reporting period.

(ab) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period. Exchange differences are included in the determination of profit for the year.

The accounts of overseas subsidiary and associated companies and jointly controlled entities are translated into Hong Kong dollars using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve. On disposal of the net investment in a foreign entity, such exchange gains or losses are transferred out of the exchange reserve and are recognised in the income statement. Exchange differences arising from translation of inter-company loan balances between Group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. When such loans are repaid, the related exchange gains or losses are transferred out of the exchange reserve and are recognised in the income statement.

(ac) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivables for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Ports and related services

Revenue from the provision of ports and related services is recognised when the service is rendered.

Property and hotels

Revenue from the sale of properties is recognised either on the date of sale or on the date of issue of the relevant occupation permit, whichever is later, and the economic benefit accrues to the Group and the significant risks and rewards of the properties accrue to the purchasers.
Rental income is recognised on a straight-line basis over the period of the lease.
Revenue from the provision of hotel management, consultancy and technical service is recognised when the service is rendered.

Retail

Revenue from the sale of retail goods is recognised at point of sales less an estimate for sales return based on past experience where goods are sold with a right to return. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sales, including credit card fees payable for the transaction.

2 Significant accounting policies (continued)

(ac) Revenue recognition (continued)

Energy and infrastructure

Revenue from the sale of crude oil, natural gas, refined petroleum products and other energy products are recorded on a gross basis when title passes to an external party.

Revenue associated with the sale of transportation, processing and natural gas storage services is recognised when the service is rendered.

Income from infrastructure projects is recognised on a time proportion basis, using the effective interest method.

Income from long-term contracts is recognised according to the stage of completion.

Finance and investments

Dividend income from investments in securities is recognised when the Group's right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

Mobile and fixed-line telecommunications services

Revenue from the provision of mobile telecommunications services with respect to voice, video, internet access, messaging and media services, including data services and information provision, is recognised when the service is rendered and, depending on the nature of the services, is recognised either at gross amount billed to the customer or the amount receivable as commission for facilitating the services.

Revenue from the sale of prepaid mobile calling cards is recognised upon customer's usage of the card or upon the expiry of the service period.

Monthly access charge on the provision of fixed-line telecommunications services is recognised on a straight-line basis over the respective period.

Other service income is recognised when the service is rendered.

At the date of authorisation of these accounts, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments) (1)	Improvements to HKFRSs
HKAS 24 (Revised) (2)	Related Party Disclosures
HKAS 27 (Revised) (1)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment) (2)	Classification of Right Issues
HKAS 39 (Amendment) (1)	Eligible Hedged Items
HKFRS 1 (Amendment) (1)	Additional Exemptions for First-Time Adopters
HKFRS 1 (Amendment) (2)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters
HKFRS 2 (Amendment) (1)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised) (1)	Business Combinations
HKFRS 9 (3)	Financial Instruments
Hong Kong (IFRIC) Interpretation 14 (Amendment) (2)	Prepayments of a Minimum Funding Requirement
Hong Kong (IFRIC) Interpretation 17 (1)	Distributions of Non-cash Assets to Owners
Hong Kong (IFRIC) Interpretation 19 (2)	Extinguishing Financial Liabilities with Equity Instruments
HK Interpretation 4 (Amendments) (1)	Leases – Determination of the Length of Lease Term in Respect of Hong Kong Land Leases

(1) Effective for the Group for annual periods beginning 1 January 2010
(2) Effective for the Group for annual periods beginning 1 January 2011
(3) Effective for the Group for annual periods beginning 1 January 2013

2 Significant accounting policies (continued)

The adoption of standards, amendments and interpretations listed above with the exception of HKFRS 3 (Revised), HKAS 27 (Revised) and Hong Kong (IFRIC) Interpretation 17 in future periods is not expected to result in substantial changes to the Group's accounting policies.

The effect that the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and Hong Kong (IFRIC) Interpretation 17 will have on the results and financial position of the Group will depend on the incidence and timing of transactions within the scope of these standards and interpretation occurring on or after 1 January 2010.

3 Critical accounting estimates and judgements

Note 2 includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The selection and disclosure of the critical accounting policies, estimates and judgements have been discussed with the Group's Audit Committee. The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

(a) Long-lived assets

The Group has made substantial investments in tangible and intangible long-lived assets, primarily in mobile and fixed-line telecommunications networks and licences, container terminals, and properties. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates.

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease and is recognised in other comprehensive income.

Judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions used to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

The Group's 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Impairment tests were undertaken as at 31 December 2009 and 31 December 2008 to assess whether the carrying values of the Group's 3G telecommunications licences, network assets and goodwill were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. The results of the tests undertaken as at 31 December 2009 and 31 December 2008 indicated that no impairment charge was necessary.

3 Critical accounting estimates and judgements (continued)

(a) Long-lived assets (continued)

The future cash flow projections for the 3G businesses reflect growing recurring revenue and margins derived from an accumulating customer base and diminishing ongoing investments in network infrastructure and in customer acquisitions.

The forecast growth in recurring revenue and margins is driven primarily by the increasing size of the accumulating customer base, accompanied by profitability improvements due to beneficial changes to services usage profiles. Increasing demand for non-voice value added services such as mobile broadband, sport and music content, multimedia messaging and video services has been experienced and is forecast to continue. Improving operating margins are forecast driven in part by a change in the mix from voice toward non-voice revenues; increased incoming traffic, which generates revenue from other operators, and on-net or intra-network traffic, which avoids interconnection costs being paid to other operators to terminate calls; and operating cost optimisation and cost savings achieved through cell site and network sharing, network maintenances and other outsourcing programmes. Improving profitability is also expected to continue based on the economies of scale effect that is able to be achieved in customer operation and network operations functions. Also factored into the forecasts are the potential dilutive effect of attracting lower value customer when growing the customer base and the expected effect of market competition and development.

Initial investments in the upfront licence payments and the network infrastructure which has been built for scale have been significant. However, as the network capital expenditures are forecast to decline progressively as a percentage of revenues as the network construction phase nears completion and a lower "maintenance" level of capital expenditure is required for ongoing operation. Customer acquisition costs in the start-up phase of operation have also been significant, but are forecast to reduce based on the improved market acceptance of the 3G technology and on the widening availability, improving attractiveness and lower unit cost of 3G handsets, all of which supports a lesser need to provide financial incentives for customers to convert to the new technology.

Projections in excess of five years are used to take into account telecommunications spectrum licence periods, increasing market share and growth momentum. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industry growth or our expectation of the Group's 3G businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 5% to 12%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(b) Depreciation and amortisation

(i) Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation (continued)

(ii) Telecommunications licences

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. Telecommunications licences that are considered to have an indefinite useful life to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Telecommunications licences with finite useful lives are amortised on a straight-line basis from the date of first commercial usage of the related spectrum over the remaining expected licence periods and are stated net of accumulated amortisation.

With effect from 1 January 2009, the Group has revised its estimate of the useful life of its 3G licence in Italy and the UK to indefinite time period. The Group obtained its 3G licence in Italy in 2001 with an initial licence period of 15 years. In 2002, the contractual term of Group's 3G licence in Italy was extended from 15 years to 20 years at no additional costs. In 2007, the Ministry of the Italian Government announced that 3G licences can be further extended for another 15 years to 35 years on the submission of a valid application. In 2007, the Group submitted an application to extend the licence period of its 3G licences in Italy from 20 years to 35 years. In 2009, the Ministry of the Italian Government further confirmed that the Group's 3G licence term can be continuously extended for a period equivalent to the previous term, effectively making it a perpetual licence.

The Group obtained its 3G licence in the UK in 2000 with an initial licence period of 21 years. In January 2009, the UK Government issued its policy on broadband for Britain that included a proposal to make the terms of 3G licences indefinite. In March 2010, the UK Government laid before the houses of Parliament a Statutory Instrument to give direction to the Office of Communications, which regulates the UK's broadcasting, telecommunications and wireless communications sectors, inter alia to make 3G licences in the UK indefinite. The useful life of the **3** UK licence was revised on the basis that the Statutory Instrument currently before the UK houses of Parliament, which inter alia changes the life of the licence to indefinite, will be enacted by the current Parliament.

Based on the above and other developments, amortisation of licence of **3** Italy and **3** UK ceased with effect from 1 January 2009. The effect of this change in accounting estimate of the useful life of the Group's 3G licences in Italy and the UK has been recognised prospectively, resulting in a reduction in the amortisation expense of **3** Italy and **3** UK charged to the current year's income statement by approximately HK$969 million and HK$2,926 million respectively which compares to a charge of HK$1,026 million and HK$3,453 million respectively for the year ended 31 December 2008 (difference from 2009 effect is due to exchange rate fluctuations). It is expected that this change in estimated useful life will have a similar effect of reducing amortisation expense in future years. In the unlikely event that the UK Statutory Instrument does not pass through the parliamentary process, the estimated life of **3** UK licence will most likely revert to the initial licence period of 21 years and on that basis, the carrying amount of **3** UK licence will be amortised over the remaining term of the initial licence period of 21 years.

Judgement is required to determine the useful lives of the Group's telecommunications licences. The actual economic lives of the Group's telecommunications spectrum licences may differ from the current contracted or expected licence periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, among other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

3 Critical accounting estimates and judgements (continued)

(b) Depreciation and amortisation (continued)

(ii) Telecommunications licences (continued)

For the purposes of impairment tests, the recoverable amount of licences is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting actual and prior year performance and market development expectations. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% (for examples, 2% and 2.5% used in the Group's 3G operations in Italy and the UK respectively) was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industries' growth or our expectation of these businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 5% to 12% (for examples, 5.2% and 5.6% used in the Group's 3G operations in Italy and the UK respectively). While a reasonably possible change in a key assumption on which the recoverable amount of the telecommunications licences and network assets of the Group's 3G businesses (including 3G operations in Italy and the UK that have telecommunications licences with indefinite useful lives) is based would not cause the carrying amount to exceed their recoverable amount, judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(iii) Telecommunications customer acquisition costs

Telecommunications customer acquisition costs comprise the net costs to acquire and retain mobile telecommunications customers, which are primarily 3G customers.

In prior years these costs to acquire and retain customers on contracts with early termination penalty clauses were capitalised and amortised over the period of the contract which is generally a period of 12 to 24 months. Having undertaken a comprehensive review of the policies of other businesses operating in the telecommunications sector particularly those operating in Europe, with effect from 1 January 2009, the Group has changed its policy to expense these costs in operating expenses as the costs are incurred. The Group believes that this change will bring our policy in line with other major telecommunications companies, provide greater comparability with such businesses and align more closely our profit and loss performance with our cash flow, and will therefore provide reliable and more relevant information to shareholders and other users of the accounts. Comparative information has been restated to reflect this change in policy.

Judgement is required to determine the most appropriate accounting policy for telecommunications customer acquisition costs. Any change in the accounting policy to capitalise these costs will impact the charge to the income statement as these costs will be capitalised and amortised over the contract periods.

3 Critical accounting estimates and judgements (continued)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the date of acquisition. Goodwill is recorded as a separate asset or, as applicable, included within investments in associated companies and joint ventures. Goodwill is also subject to the impairment test described above. The results of the tests undertaken as at 31 December 2009 and 31 December 2008 indicated that no impairment charge was necessary.

For the purposes of impairment tests, the recoverable amount of goodwill is determined based on value in use calculations. The value in use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. The Group prepared the financial budgets reflecting actual and prior year performance and market development expectations. For the purpose of the impairment test, a market specific growth rate of 2% to 2.5% was used to extrapolate cash flows beyond the approved financial budgets period. This low rate was selected solely for the purposes of the impairment test to arrive at a conservative projection of cash flows in excess of five years and does not reflect the forecast long-term industries' growth or our expectation of these businesses performance. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 5% to 12%. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(d) Investment properties

Investment properties are interests in land and buildings that are held to earn rentals or for capital appreciation or both. Such properties are carried in the statement of financial position at their fair value as determined by professional valuation. In determining the fair value of the investment properties, the valuers use assumptions and estimates that reflect, amongst other things, comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties. Changes in fair values of investment properties are recorded in the income statement.

(e) Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the accounts.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of the reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

3 Critical accounting estimates and judgements (continued)

(e) Tax (continued)

The 3G businesses commenced commercial operations from 2003 and in accordance with initial business plans are incurring losses as the businesses grow to operating scale. Deferred tax assets have been recognised for the carryforward amount of unused tax losses relating to the Group's 3G operation in the UK where, among other things, tax losses can be carried forward indefinitely and there is availability of group relief for tax purposes that can be utilised to offset taxable profits generated by the Group's other operations in the UK. No deferred tax assets have been recognised for the unused tax losses carried forward by the Group's other 3G operations since there are less opportunities to utilise the tax losses in the near term, for instance, unlike the UK there is no opportunity for group relief and in certain countries tax losses will expire if not utilised within a short period of time e.g. tax losses in Italy will expire if not utilised within 5 years. The ultimate realisation of deferred tax assets recognised for **3** UK depends principally on this business achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of this business. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Pension costs

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with HKAS 19, Employee Benefits. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. All actuarial gains and losses are recognised in full, in the year in which they occur, in other comprehensive income.

Management appointed actuaries to carry out a full valuation of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the accounts in accordance with the HKFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(g) Sale and leaseback transactions

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in note 2(x). Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgement as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgement is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

3 Critical accounting estimates and judgements (continued)

(g) Sale and leaseback transactions (continued)

Classification as a finance lease or operating lease determines whether the leased asset is capitalised and recognised on the statement of financial position as set out in note 2(x). In sale and leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognised. It is either deferred and amortised (finance lease) or recognised in the income statement immediately (operating lease).

Having noted that Hutchison Telecommunications International, the Group's 60% owned subsidiary, has decided to restate its previously reported consolidated accounts for the year ended 31 December 2008 to reflect the accounting for a certain sale and leaseback transaction as a finance lease, the Group has determined not to restate its consolidated accounts. This restatement in a subsidiary is not material to the Group's consolidated accounts. For the sake of transparency, if the Group had adopted the changes made by Hutchison Telecommunications International; in 2008, the Group's profit attributable to shareholders would have reduced by HK$446 million or 3.5%, total assets would have increased by HK$899 million or 0.1%, total liabilities would have increased by HK$1,965 million or 0.5% and total equity would have reduced by HK$1,066 million or 0.4%; in 2009, the Group's profit attributable to shareholder would have reduced by HK$170 million or 1.2%, total assets would have increased by HK$2,161 million or 0.3%, total liabilities would have increased by HK$3,261 million or 0.9% and total equity would have reduced by HK$1,100 million or 0.3%.

4 Turnover and revenue

Turnover comprises revenues from the sales of goods and development properties, provision of services and rental income from investment properties, interest income and finance charges earned, and dividend income from equity investments. An analysis of revenue of the Company and subsidiary companies is as follows:

	2009 **HK$ millions**	2008 HK$ millions
Sales of goods	**100,643**	104,129
Rendering of services	**104,846**	125,148
Interest	**2,995**	5,842
Dividends	**324**	359
	208,808	235,478

5 Segment information

HKFRS 8, Operating Segments, replaces HKAS 14, Segment Reporting, with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires the disclosure of information about the Group's operating segments. It replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position. Operating segments are reported in a manner consistent with internal reporting provided to the board of directors of the Company who is responsible for allocating resources and assessing performance of the operating segments. The Group determines that the operating segments are the same as the business segments previously identified under HKAS 14. Following the completion of a spin-off by way of a distribution in specie and a separate listing on The Stock Exchange of Hong Kong of the entire capital of Hutchison Telecommunications Hong Kong, the holding company of the Hong Kong and Macau mobile and fixed-line telecommunications operations, by Hutchison Telecommunications International in first half of the current year, Hutchison Telecommunications Hong Kong is disclosed as a separate segment. Prior year corresponding segment information that is presented for comparative purposes has been restated accordingly.

The column headed as Company and Subsidiaries refers to the Company and subsidiary companies' respective items. The column headed as Associates and JCE refers to the Group's share of associated companies and jointly controlled entities' respective items (see notes 19 and 20).

5 Segment information (continued)

Finance & Investments represents returns earned on the Group's holdings of cash and liquid investments. Others includes Hutchison Whampoa (China), Hutchison E-Commerce operations, listed subsidiary Hutchison China MediTech Limited, listed subsidiary Hutchison Harbour Ring ("HHR") and listed associate Tom Group and others. Telecommunications – **3** Group includes 3G operations in the UK, Italy, Sweden, Austria, Denmark, Norway, Ireland and Australia.

Revenue from external customers is after elimination of inter-segment revenue. The amount eliminated attributable to Ports and related services is HK$25 million (2008 – HK$58 million), Property and hotels is HK$307 million (2008 – HK$336 million), Finance & Investments is HK$7 million (2008 – HK$3 million), Hutchison Telecommunications Hong Kong is HK$165 million (2008 – HK$125 million) and Others is HK$538 million (2008 – HK$504 million).

The following is an analysis of the Group's revenue and results by operating segment:

	Revenue							
	Company and Subsidiaries HK$ millions	**Associates and JCE HK$ millions**	**2009 Total HK$ millions**	**% [a]**	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2008 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	**29,492**	**3,935**	**33,427**	**14%**	34,872	4,722	39,594	14%
Property and hotels	**5,233**	**8,679**	**13,912**	**6%**	5,445	5,022	10,467	4%
Retail	**96,552**	**19,546**	**116,098**	**48%**	98,963	19,541	118,504	41%
Cheung Kong Infrastructure	**2,404**	**12,576**	**14,980**	**6%**	2,875	16,993	19,868	7%
Husky Energy	**–**	**35,808**	**35,808**	**15%**	–	63,350	63,350	22%
Finance & Investments	**2,152**	**363**	**2,515**	**1%**	3,836	467	4,303	1%
Hutchison Telecommunications Hong Kong	**8,449**	**–**	**8,449**	**3%**	7,996	3	7,999	3%
Hutchison Telecommunications International	**11,745**	**–**	**11,745**	**5%**	16,678	–	16,678	6%
Others	**3,589**	**2,436**	**6,025**	**2%**	4,981	2,266	7,247	2%
Subtotal – Established businesses	**159,616**	**83,343**	**242,959**	**100%**	175,646	112,364	288,010	100%
TELECOMMUNICATIONS – 3 Group	**49,192**	**8,398**	**57,590**		59,832	540	60,372	
	208,808	**91,741**	**300,549**		235,478	112,904	348,382	

5 Segment information (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2009 Total HK$ millions	% [a]	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2008 Total HK$ millions	% [a]
ESTABLISHED BUSINESSES								
Ports and related services	9,025	1,381	10,406	27%	11,403	1,833	13,236	24%
Property and hotels [c]	2,960	3,470	6,430	17%	4,999	3,088	8,087	15%
Retail	4,553	1,139	5,692	15%	3,402	982	4,384	8%
Cheung Kong Infrastructure	795	6,110	6,905	18%	10	7,394	7,404	13%
Husky Energy	–	4,010	4,010	11%	–	13,316	13,316	24%
Finance & Investments [d]	3,729	350	4,079	11%	5,913	554	6,467	11%
Hutchison Telecommunications Hong Kong	708	(16)	692	2%	537	(10)	527	1%
Hutchison Telecommunications International [e]	(199)	–	(199)	-1%	2,734	–	2,734	5%
Others	(406)	261	(145)	–	(588)	(203)	(791)	-1%
EBIT - Established businesses [b]	21,165	16,705	37,870	100%	28,410	26,954	55,364	100%
TELECOMMUNICATIONS - 3 Group [f]								
EBIT before depreciation, amortisation and telecommunications CACs	14,361	3,121	17,482		19,179	158	19,337	
Telecommunications CACs	(14,850)	(2,456)	(17,306)		(20,392)	–	(20,392)	
EBIT (LBIT) before depreciation and amortisation and after telecommunications CACs	(489)	665	176		(1,213)	158	(1,055)	
Depreciation	(7,183)	(576)	(7,759)		(9,123)	(114)	(9,237)	
Amortisation of licence fees and other rights	(840)	(499)	(1,339)		(5,500)	–	(5,500)	
EBIT (LBIT) - Telecommunications - 3 Group [b]	(8,512)	(410)	(8,922)		(15,836)	44	(15,792)	
Change in fair value of investment properties [g]	1,117	546	1,663		672	152	824	
Profit on disposal of investments and others (see note 6)	12,472	–	12,472		3,458	3,122	6,580	
EBIT	26,242	16,841	43,083		16,704	30,272	46,976	
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest and other finance costs	–	(3,412)	(3,412)		–	(3,222)	(3,222)	
Current tax	–	(4,865)	(4,865)		–	(3,886)	(3,886)	
Deferred tax	–	1,040	1,040		–	(2,256)	(2,256)	
Minority interests	–	–	–		–	22	22	
	26,242	9,604	35,846		16,704	20,930	37,634	

5 Segment information (continued)

	Depreciation and amortisation					
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2009 Total HK$ millions	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2008 Total HK$ millions
ESTABLISHED BUSINESSES						
Ports and related services	3,056	544	3,600	3,410	556	3,966
Property and hotels	269	145	414	289	151	440
Retail	1,918	376	2,294	2,086	379	2,465
Cheung Kong Infrastructure	127	2,012	2,139	125	1,959	2,084
Husky Energy	–	5,727	5,727	–	5,744	5,744
Finance & Investments	66	–	66	72	–	72
Hutchison Telecommunications Hong Kong	1,296	2	1,298	1,435	–	1,435
Hutchison Telecommunications International	1,427	–	1,427	2,709	–	2,709
Others	76	69	145	127	422	549
Subtotal – Established businesses	8,235	8,875	17,110	10,253	9,211	19,464
TELECOMMUNICATIONS – 3 Group	8,023	1,075	9,098	14,623	114	14,737
	16,258	9,950	26,208	24,876	9,325	34,201

	Capital expenditure			
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2009 Total HK$ millions
ESTABLISHED BUSINESSES				
Ports and related services	4,970	–	–	4,970
Property and hotels	54	–	–	54
Retail	1,072	–	–	1,072
Cheung Kong Infrastructure	139	–	–	139
Husky Energy	–	–	–	–
Finance & Investments	19	–	–	19
Hutchison Telecommunications Hong Kong	1,042	–	69	1,111
Hutchison Telecommunications International	3,893	–	–	3,893
Others	59	–	–	59
Subtotal – Established businesses	11,248	–	69	11,317
TELECOMMUNICATIONS – 3 Group [h]	7,834	–	425	8,259
	19,082	–	494	19,576

5 Segment information (continued)

	Capital expenditure			
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2008 Total HK$ millions
ESTABLISHED BUSINESSES				
Ports and related services	9,502	–	–	9,502
Property and hotels	89	–	–	89
Retail	1,686	–	–	1,686
Cheung Kong Infrastructure	92	–	–	92
Husky Energy	–	–	–	–
Finance & Investments	14	–	–	14
Hutchison Telecommunications Hong Kong	1,105	–	–	1,105
Hutchison Telecommunications International	3,285	–	129	3,414
Others	84	–	–	84
Subtotal - Established businesses	15,857	–	129	15,986
TELECOMMUNICATIONS - 3 Group (h)	11,921	384	421	12,726
	27,778	384	550	28,712

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets(i) **HK$ millions**	**Deferred tax assets HK$ millions**	**Investments in associated companies and interests in joint ventures HK$ millions**	**2009 Total assets HK$ millions**	Segment assets(i) HK$ millions	Deferred tax assets HK$ millions	Investments in associated companies and interests in joint ventures HK$ millions	2008 Total assets HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	**96,854**	**145**	**13,129**	**110,128**	94,281	363	12,759	107,403
Property and hotels	**49,998**	**138**	**23,767**	**73,903**	49,918	107	26,992	77,017
Retail	**47,319**	**937**	**5,014**	**53,270**	47,409	391	2,791	50,591
Cheung Kong Infrastructure	**19,118**	**7**	**39,065**	**58,190**	15,128	11	38,308	53,447
Husky Energy	**–**	**–**	**41,019**	**41,019**	–	–	37,190	37,190
Finance & Investments	**91,528**	**–**	**828**	**92,356**	73,731	–	549	74,280
Hutchison Telecommunications Hong Kong	**16,355**	**369**	**272**	**16,996**	16,768	368	90	17,226
Hutchison Telecommunications International	**21,436**	**–**	**–**	**21,436**	26,797	–	–	26,797
Others	**9,081**	**7**	**1,891**	**10,979**	11,183	6	2,720	13,909
Subtotal - Established businesses	**351,689**	**1,603**	**124,985**	**478,277**	335,215	1,246	121,399	457,860
TELECOMMUNICATIONS - 3 Group (i)	**188,735**	**13,054**	**11,331**	**213,120**	197,375	12,002	944	210,321
	540,424	**14,657**	**136,316**	**691,397**	532,590	13,248	122,343	668,181

5 Segment information (continued)

	Total liabilities							
	Segment liabilities[k] HK$ millions	Current & non-current borrowings[l] and other non-current liabilities HK$ millions	Current & deferred tax liabilities HK$ millions	2009 Total liabilities HK$ millions	Segment liabilities[k] HK$ millions	Current & non-current borrowings[l] and other non-current liabilities HK$ millions	Current & deferred tax liabilities HK$ millions	2008 Total liabilities HK$ millions
ESTABLISHED BUSINESSES								
Ports and related services	15,383	43,988	6,323	65,694	17,467	44,106	5,999	67,572
Property and hotels	1,666	732	6,209	8,607	2,165	732	5,791	8,688
Retail	20,393	6,978	685	28,056	19,894	7,237	221	27,352
Cheung Kong Infrastructure	1,558	7,871	1,041	10,470	1,406	6,793	1,183	9,382
Husky Energy	–	–	–	–	–	–	–	–
Finance & Investments	2,990	80,416	334	83,740	3,501	63,522	618	67,641
Hutchison Telecommunications Hong Kong	3,271	4,991	140	8,402	3,062	5,852	96	9,010
Hutchison Telecommunications International	4,062	2,661	1,374	8,097	5,749	7,874	464	14,087
Others	1,796	320	216	2,332	1,932	516	226	2,674
Subtotal - Established businesses	51,119	147,957	16,322	215,398	55,176	136,632	14,598	206,406
TELECOMMUNICATIONS - 3 Group	24,346	130,427	282	155,055	29,964	139,388	292	169,644
	75,465	278,384	16,604	370,453	85,140	276,020	14,890	376,050

Additional disclosures by geographical location are shown below:

	Revenue							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2009 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2008 Total HK$ millions	%
Hong Kong	40,900	10,589	51,489	17%	40,727	11,562	52,289	15%
Mainland China	21,293	12,991	34,284	11%	21,361	12,985	34,346	10%
Asia and Australia	31,597	12,478	44,075	15%	42,350	4,562	46,912	13%
Europe	108,837	19,455	128,292	43%	120,511	19,405	139,916	40%
Americas and others	6,181	36,228	42,409	14%	10,529	64,390	74,919	22%
	208,808	91,741	300,549	100%	235,478	112,904	348,382	100%

5 Segment information (continued)

	EBIT (LBIT) [b]							
	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2009 Total HK$ millions	%	Company and Subsidiaries HK$ millions	Associates and JCE HK$ millions	2008 Total HK$ millions	%
Hong Kong	4,710	4,607	9,317	22%	6,689	4,847	11,536	25%
Mainland China	5,037	5,006	10,043	23%	7,509	6,008	13,517	29%
Asia and Australia	4,686	765	5,451	13%	3,995	904	4,899	10%
Europe	(3,843)	1,906	(1,937)	-5%	(10,267)	1,828	(8,439)	-18%
Americas and others	2,063	4,011	6,074	14%	4,648	13,411	18,059	38%
Change in fair value of investment properties [g]	1,117	546	1,663	4%	672	152	824	2%
Profit on disposal of investments and others (see note 6)	12,472	–	12,472	29%	3,458	3,122	6,580	14%
EBIT	26,242	16,841	43,083	100%	16,704	30,272	46,976	100%
Group's share of the following income statement items of associated companies and jointly controlled entities:								
Interest and other finance costs	–	(3,412)	(3,412)		–	(3,222)	(3,222)	
Current tax	–	(4,865)	(4,865)		–	(3,886)	(3,886)	
Deferred tax	–	1,040	1,040		–	(2,256)	(2,256)	
Minority interests	–	–	–		–	22	22	
	26,242	9,604	35,846		16,704	20,930	37,634	

	Capital expenditure [h]			
	Fixed assets, investment properties and leasehold land HK$ millions	Telecom-munications licences HK$ millions	Brand names and other rights HK$ millions	2009 Total HK$ millions
Hong Kong	1,380	–	69	1,449
Mainland China	922	–	–	922
Asia and Australia	5,229	–	–	5,229
Europe	9,942	–	425	10,367
Americas and others	1,609	–	–	1,609
	19,082	–	494	19,576

5 Segment information (continued)

	Capital expenditure [h]			
	Fixed assets, investment properties and leasehold land	Telecom-munications licences	Brand names and other rights	2008 Total
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	1,823	–	129	1,952
Mainland China	1,848	–	–	1,848
Asia and Australia	5,659	–	–	5,659
Europe	15,799	384	421	16,604
Americas and others	2,649	–	–	2,649
	27,778	384	550	28,712

	Total assets							
	Company and Subsidiaries				Company and Subsidiaries			
	Segment assets[i]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2009 Total assets	Segment assets[i]	Deferred tax assets	Investments in associated companies and interests in joint ventures	2008 Total assets
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Hong Kong	99,449	866	32,348	132,663	101,142	535	29,320	130,997
Mainland China	43,767	15	26,402	70,184	38,328	13	33,864	72,205
Asia and Australia	40,995	71	23,296	64,362	61,810	64	10,399	72,273
Europe	267,766	13,616	8,742	290,124	262,957	12,566	7,073	282,596
Americas and others	88,447	89	45,528	134,064	68,353	70	41,687	110,110
	540,424	14,657	136,316	691,397	532,590	13,248	122,343	668,181

(a) The percentages shown represent the contributions to total revenues and EBIT of established businesses.

(b) Earnings (losses) before interest expense and tax ("EBIT" or "LBIT") represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of associated companies and jointly controlled entities. EBIT (LBIT) is defined as earnings (losses) before interest expense and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of profit (loss) from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment profit or loss in accordance with HKFRS 8. EBIT (LBIT) is not a measure of financial performance under generally accepted accounting principles in Hong Kong and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to profit (loss) from operations as determined in accordance with generally accepted accounting principles in Hong Kong.

"EBIT – Established businesses" and "EBIT (LBIT) – Telecommunications – **3** Group" are presented before the change in fair value of investment properties and profit (loss) on disposal of investments and others.

(c) Included in EBIT of Property and hotels in 2008 is a gain of HK$2,141 million on disposal of subsidiaries, whose principal asset is an investment property, by a listed subsidiary, HHR. The result of operations of HHR, other than this gain, is presented under Others.

5 Segment information (continued)

(d) Included in EBIT of Finance & Investments in 2009 is a foreign exchange gain of HK$930 million arising from the repayment of non-Hong Kong dollar loans from a jointly controlled entity (2008 – nil) and in 2008 is the one-time profits on disposal of certain listed equity investments of HK$2,084 million.

(e) Included in EBIT of Hutchison Telecommunications International in 2008 are contributions from certain suppliers amounting to HK$731 million in relation to its Indonesian operations.

(f) Included in EBIT (LBIT) of Telecommunications – **3** Group in 2008 are foreign exchange gains totalling HK$2,945 million which mainly comprise a HK$586 million gain arising from the Group's refinancing of certain non-Sterling borrowings with Sterling bank loans and a HK$2,359 million gain arising from the Group's refinancing of certain non-Euro borrowings with Euro bank loans, and a release of provision of HK$1,076 million that had been set up in prior year for certain onerous operating leases. In 2008, **3** Group has engaged negotiation with the new owner of certain leased properties and as a result of the negotiation new lease contracts have been signed with the new owner that superseded the original operating lease contracts signed with the previous owner of these properties on which a provision of HK$2,265 million for onerous operating leases was made in prior year. Based on the terms of the new contracts the Group has revised the assessment of the least net cost of exiting from leases in respect of these properties and found a provision of HK$1,076 million to be no longer required, and have recognised it in 2008's income statement.

(g) Included in the change in fair value of investment properties in 2009 is an increase in fair value of properties under construction or development for future use as an investment property amounted to HK$1,265 million to comply with the amendments to HKAS 40, Investment Property. As the adoption of the amendments to HKAS 40 is required to be applied prospectively, no restatement of previously reported balances is required.

(h) Included in capital expenditures of Telecommunications – **3** Group in 2009 is the effect of foreign exchange translation of overseas subsidiaries' fixed assets balances at 31 December 2009 which has an effect of increasing total expenditure by HK$289 million (2008 – decreasing total expenditure by HK$429 million).

(i) Segment assets comprise fixed assets, investment properties, leasehold land, telecommunications licences, goodwill, brand names and other rights, other non-current assets, liquid funds and other listed investments, cash and cash equivalents and other current assets. Included in segment assets presented by geographical location are non-current assets (excluding financial instruments, deferred tax assets, post-employment benefits assets and assets from insurance contracts) for Hong Kong, Mainland China, Asia and Australia, Europe, and Americas and others of HK$78,867 million (2008 – HK$79,031 million), HK$24,418 million (2008 – HK$24,640 million), HK$19,977 million (2008 – HK$39,442 million), HK$214,950 million (2008 – HK$202,035 million) and HK$16,453 million (2008 – HK$17,222 million) respectively.

(j) Included in total assets of Telecommunications – **3** Group is an unrealised foreign currency exchange gain arising in 2009 of HK$8,408 million (2008 – loss of HK$28,861 million) from the translation of overseas subsidiaries accounts to Hong Kong dollars with an offsetting amount recorded in exchange reserve.

(k) Segment liabilities comprise trade and other payables and pension obligations.

(l) Current and non-current borrowings comprise bank and other debts and interest bearing loans from minority shareholders.

6 Profit on disposal of investments and others

	2009 HK$ millions	2008 HK$ millions
ESTABLISHED BUSINESSES		
Gain on disposal of equity interest in Partner Communications Company Limited	**7,392**	–
Gain on disposal of equity interest in three power plants in Mainland China	**847**	–
Profit on disposal of certain telecommunications tower assets [(a)]	**592**	1,421
Group's share of Husky's gain on partial disposal in a resource property [(b)]	**–**	3,122
Gain on disposal of minority equity interests in certain ports to strategic partners	**–**	2,037
TELECOMMUNICATIONS – 3 Group		
Gain on merger of **3** Australia with Vodafone's Australian operations	**3,641**	–
	12,472	6,580

(a) Profit on disposal of certain telecommunications tower assets represents the profit on the sale by a listed subsidiary, Hutchison Telecommunications International ("HTIL"), of certain mobile telecommunications tower assets in Indonesia.

(b) In 2008 , Husky Energy ("Husky"), a Canadian listed associated company, formed an integrated oil sands joint venture with a third party and contributed its Sunrise oil sands property to the joint venture in exchange for a 50% equity interest in the joint venture. The Group's share of Husky's gain on partial disposal of 50% of its Sunrise oil sands property represents the Group's share of this gain under HKFRS.

7 Directors' emoluments

Directors' emoluments comprise payments to directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The emoluments of each of the directors of the Company excludes amounts received from the Company's listed subsidiaries and paid to the Company. The amounts paid to each director for both 2009 and 2008 are as below (also see Report of the Directors):

	2009					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing [(a)] [(f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	30.78	–	–	35.34
Paid by Cheung Kong Infrastructure	0.07	–	11.11	–	–	11.18
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	41.89	–	–	46.45
FOK Kin-ning, Canning [(b)]	0.12	10.22	111.81	2.13	–	124.28
CHOW WOO Mo Fong, Susan [(b)]	0.12	7.65	26.68	1.54	–	35.99
Frank John SIXT [(b)]	0.18	7.63	25.53	0.68	–	34.02
LAI Kai Ming, Dominic [(b)]	0.12	5.15	24.94	0.98	–	31.19
KAM Hing Lam [(b)]						
Paid by the Company	0.12	2.25	5.81	–	–	8.18
Paid by Cheung Kong Infrastructure	0.07	4.20	4.85	–	–	9.12
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	10.66	–	–	13.03
George Colin MAGNUS [(d)]						
Paid by the Company	0.12	–	–	–	–	0.12
Paid by Cheung Kong Infrastructure	0.07	–	–	–	–	0.07
	0.19	–	–	–	–	0.19
William SHURNIAK [(d)] [(e)]	0.25	–	–	–	–	0.25
Michael David KADOORIE [(c)]	0.12	–	–	–	–	0.12
Holger KLUGE [(c)] [(e)] [(f)]	0.31	–	–	–	–	0.31
Margaret LEUNG KO May Yee [(c)] [(g)]	0.07	–	–	–	–	0.07
OR Ching Fai, Raymond [(c)] [(h)]	0.05	–	–	–	–	0.05
WONG Chung Hin [(c)] [(e)] [(f)]	0.31	–	–	–	–	0.31
Total	2.13	37.34	241.51	5.33	–	286.31

(a) No remuneration was paid to Mr Li Ka-shing during the year other than a director's fee of HK$50,000 (2008 – HK$50,000) which he paid to Cheung Kong (Holdings) Limited.

(b) Directors' fees received by these directors from the Company's listed subsidiaries during the period they served as executive directors or non-executive directors that have been paid to the Company are not included in the amounts above.

(c) Independent non-executive directors. The total emoluments of the independent non-executive directors of the Company are HK$860,000 (2008 – HK$860,000).

(d) Non-executive directors.

(e) Members of the Audit Committee.

(f) Members of the Remuneration Committee.

(g) Appointed on 22 May 2009.

(h) Retired on 21 May 2009.

7 Directors' emoluments (continued)

	2008					
Name of directors	Fees HK$ millions	Basic salaries, allowances and benefits-in-kind HK$ millions	Bonuses HK$ millions	Provident fund contributions HK$ millions	Inducement or compensation fees HK$ millions	Total emoluments HK$ millions
LI Ka-shing [(a)] [(f)]	0.05	–	–	–	–	0.05
LI Tzar Kuoi, Victor						
Paid by the Company	0.12	4.44	32.40	–	–	36.96
Paid by Cheung Kong Infrastructure	0.07	–	9.90	–	–	9.97
Paid to the Company	(0.07)	–	–	–	–	(0.07)
	0.12	4.44	42.30	–	–	46.86
FOK Kin-ning, Canning [(b)]	0.12	10.26	120.79	2.13	–	133.30
CHOW WOO Mo Fong, Susan [(b)]	0.12	7.64	28.08	1.55	–	37.39
Frank John SIXT [(b)]	0.18	7.63	26.88	0.67	–	35.36
LAI Kai Ming, Dominic [(b)]	0.12	5.18	23.75	0.98	–	30.03
KAM Hing Lam [(b)]						
Paid by the Company	0.12	2.25	6.12	–	–	8.49
Paid by Cheung Kong Infrastructure	0.07	4.20	4.32	–	–	8.59
Paid to the Company	(0.07)	(4.20)	–	–	–	(4.27)
	0.12	2.25	10.44	–	–	12.81
George Colin MAGNUS [(d)]						
Paid by the Company	0.12	–	–	–	–	0.12
Paid by Cheung Kong Infrastructure	0.07	–	–	–	–	0.07
	0.19	–	–	–	–	0.19
William SHURNIAK [(d)] [(e)]	0.25	–	–	–	–	0.25
Michael David KADOORIE [(c)]	0.12	–	–	–	–	0.12
Holger KLUGE [(c)] [(e)] [(f)]	0.31	–	–	–	–	0.31
OR Ching Fai, Raymond [(c)]	0.12	–	–	–	–	0.12
WONG Chung Hin [(c)] [(e)] [(f)]	0.31	–	–	–	–	0.31
Total	2.13	37.40	252.24	5.33	–	297.10

The Company does not have an option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share-based payments from the Company or any of its subsidiaries during the year (2008 – nil).

In 2009, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$6.03 million; provident fund contribution – HK$0.44 million; and bonus – HK$24.95 million. In 2008, the five individuals whose emoluments were the highest for the year were four directors of the Company and one director of a subsidiary of the Company. The remuneration of the director of the subsidiary company consisted of basic salary, allowances and benefits-in-kind – HK$6.37 million; provident fund contribution – HK$0.48 million; and bonus – HK$27.72 million.

8 Interest and other finance costs

	2009 HK$ millions	2008 HK$ millions
Bank loans and overdrafts	**1,907**	7,641
Other loans repayable within 5 years	**98**	479
Other loans not wholly repayable within 5 years	**20**	1
Notes and bonds repayable within 5 years	**3,449**	4,124
Notes and bonds not wholly repayable within 5 years	**3,175**	4,146
	8,649	16,391
Interest bearing loans from minority shareholders repayable within 5 years	**275**	506
Interest bearing loans from minority shareholders not wholly repayable within 5 years	**74**	131
	8,998	17,028
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**347**	270
Notional non-cash interest accretion [(a)]	**356**	254
Other finance costs	**188**	339
	9,889	17,891
Less: interest capitalised [(b)]	**(276)**	(605)
	9,613	17,286

(a) Notional non-cash interest accretion represents notional adjustments to accrete the carrying amount of certain obligations recognised in the statement of financial position such as asset retirement obligation to the present value of the estimated future cash flows expected to be required for their settlement in the future.

(b) Borrowing costs have been capitalised at various applicable rates ranging from 0.3% to 6.0% per annum (2008 – 3.5% to 7.9% per annum).

9 Tax

	Current tax HK$ millions	Deferred tax HK$ millions	2009 Total HK$ millions	Current tax HK$ millions	Deferred tax HK$ millions	2008 Total HK$ millions
Hong Kong	**529**	**(143)**	**386**	626	10	636
Outside Hong Kong	**4,059**	**51**	**4,110**	2,817	(2,586)	231
	4,588	**(92)**	**4,496**	3,443	(2,576)	867

Hong Kong profits tax has been provided for at the rate of 16.5% (2008 – 16.5%) on the estimated assessable profits less estimated available tax losses. Tax outside Hong Kong has been provided for at the applicable rate on the estimated assessable profits less estimated available tax losses. During the year, no deferred tax asset has been recognised for the losses of **3** Group (2008 – nil) (see note 21).

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future. In 2008, the Group wrote back a HK$2,764 million provision for deferred tax liabilities that had been set up in previous years in respect of potential dividend withholding tax on undistributed profits. The write back was made based on a revised assessment that it is not probable that this temporary difference would reverse in the foreseeable future.

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the country concerned, and the Group's tax charge (credit) for the years were as follows:

	Established businesses HK$ millions	Telecom-munications - 3 Group HK$ millions	2009 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	**4,215**	**(3,205)**	**1,010**
Tax effect of:			
Tax losses not recognised	**1,014**	**3,199**	**4,213**
Tax incentives	**(523)**	**–**	**(523)**
Income not subject to tax	**(483)**	**(5)**	**(488)**
Expenses not deductible for tax purposes	**946**	**–**	**946**
Recognition of previously unrecognised tax losses	**(711)**	**–**	**(711)**
Utilisation of previously unrecognised tax losses	**(38)**	**–**	**(38)**
Under provision in prior years	**45**	**–**	**45**
Deferred tax assets written off	**3**	**–**	**3**
Other temporary differences	**41**	**(5)**	**36**
Effect of change in tax rate	**3**	**–**	**3**
Total tax for the year	**4,512**	**(16)**	**4,496**

9 Tax (continued)

	Established businesses HK$ millions	Telecom-munications – 3 Group HK$ millions	2008 Total HK$ millions
Tax calculated at the domestic rates applicable in the country concerned	3,812	(6,368)	(2,556)
Tax effect of:			
Reversal of temporary differences (see above)	(2,764)	–	(2,764)
Tax losses not recognised	1,062	6,290	7,352
Tax incentives	(537)	(33)	(570)
Income not subject to tax	(1,018)	(5)	(1,023)
Expenses not deductible for tax purposes	837	–	837
Recognition of previously unrecognised tax losses	(103)	–	(103)
Utilisation of previously unrecognised tax losses	(113)	–	(113)
Under provision in prior years	88	(1)	87
Deferred tax assets written off	43	–	43
Other temporary differences	(153)	97	(56)
Effect of change in tax rate	(267)	–	(267)
Total tax for the year	887	(20)	867

10 Dividends

	2009 HK$ millions	2008 HK$ millions
Interim, paid of HK$0.51 per share (2008 – HK$0.51)	**2,174**	2,174
Final, proposed of HK$1.22 per share (2008 – HK$1.22)	**5,201**	5,201
	7,375	7,375

11 Earnings per share for profit attributable to shareholders of the Company

The calculation of earnings per share is based on profit attributable to shareholders of the Company HK$14,168 million (2008 – HK$12,681 million) and on 4,263,370,780 shares in issue during 2009 (2008 – 4,263,370,780 shares).

The Company has no share option scheme. Certain of the Company's subsidiary and associated companies have employee share options outstanding as at 31 December 2009. The employee share options of these subsidiary and associated companies outstanding as at 31 December 2009 did not have a dilutive effect on earnings per share.

12 Other comprehensive income

Tax effect relating to each component of other comprehensive income:

	2009		
	Before-tax amount HK$ millions	Tax (expense)/ benefit HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation gains recognised in reserves	417	(33)	384
Valuation gains recognised in income statement	(198)	–	(198)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Gains recognised in reserves	1	–	1
Losses recognised in initial cost of non-financial items	4	–	4
Gains on translating accounts of foreign operations recognised in reserves	11,170	–	11,170
Gains on repayment of foreign currency loans from a jointly controlled entity recognised in income statement	(930)	–	(930)
Gains relating to disposal of subsidiaries recognised in income statement	(1,909)	–	(1,909)
Net actuarial gains of defined benefit plans	31	183	214
Others	7	(1)	6
Share of other comprehensive income of associated companies	6,727	–	6,727
Share of other comprehensive income of jointly controlled entities	1,547	–	1,547
	16,867	149	17,016

	2008		
	Before-tax amount HK$ millions	Tax benefit HK$ millions	Net-of-tax amount HK$ millions
Available-for-sale investments:			
Valuation losses recognised in reserves	(3,204)	87	(3,117)
Valuation gains recognised in income statement	(2,893)	–	(2,893)
Cash flow hedges arising from forward foreign currency contracts and interest rate swap contracts:			
Gains recognised in reserves	287	–	287
Losses recognised in income statement	28	–	28
Gains recognised in initial cost of non-financial items	(47)	–	(47)
Losses on translating accounts of foreign operations recognised in reserves	(27,002)	–	(27,002)
Gains on refinancing of foreign currency borrowings recognised in income statement	(2,945)	–	(2,945)
Gains relating to disposal of subsidiaries recognised in income statement	(518)	–	(518)
Net actuarial losses of defined benefit plans	(2,331)	109	(2,222)
Others	10	–	10
Share of other comprehensive income of associated companies	(11,251)	–	(11,251)
Share of other comprehensive income of jointly controlled entities	1,055	–	1,055
	(48,811)	196	(48,615)

13 Fixed assets

	Land and buildings HK$ millions	Telecom-munications network assets HK$ millions	Other assets HK$ millions	Total HK$ millions
Cost				
At 1 January 2008	40,382	138,980	111,397	290,759
Additions	4,588	6,105	16,854	27,547
Disposals	(407)	(1,822)	(2,155)	(4,384)
Relating to subsidiaries acquired	172	–	1,109	1,281
Relating to subsidiaries disposed of	(136)	(142)	(263)	(541)
Revaluation upon transfer to investment properties	5	–	–	5
Transfer from (to) other assets	59	(36)	184	207
Transfer between categories / investment properties / leasehold land	81	8,656	(8,686)	51
Exchange translation differences	(2,921)	(16,324)	(8,235)	(27,480)
At 1 January 2009	**41,823**	**135,417**	**110,205**	**287,445**
Additions	**3,113**	**5,828**	**10,105**	**19,046**
Disposals	**(247)**	**(6,394)**	**(1,897)**	**(8,538)**
Relating to subsidiaries acquired	**–**	**–**	**94**	**94**
Relating to subsidiaries disposed of	**(108)**	**(19,399)**	**(4,807)**	**(24,314)**
Revaluation upon transfer to investment properties	**1**	**–**	**–**	**1**
Transfer to other assets	**(38)**	**(160)**	**(88)**	**(286)**
Transfer between categories / investment properties / leasehold land	**(467)**	**4,178**	**(3,799)**	**(88)**
Exchange translation differences	**720**	**6,438**	**3,077**	**10,235**
At 31 December 2009	**44,797**	**125,908**	**112,890**	**283,595**
Accumulated depreciation and impairment				
At 1 January 2008	9,542	36,825	63,050	109,417
Charge for the year	1,151	8,364	7,753	17,268
Disposals	(355)	(956)	(1,827)	(3,138)
Relating to subsidiaries acquired	50	–	402	452
Relating to subsidiaries disposed of	(129)	(62)	(182)	(373)
Transfer between categories / investment properties / leasehold land	68	2,844	(2,913)	(1)
Exchange translation differences	(753)	(3,851)	(4,822)	(9,426)
At 1 January 2009	**9,574**	**43,164**	**61,461**	**114,199**
Charge for the year	**1,001**	**6,795**	**5,924**	**13,720**
Disposals	**(232)**	**(5,837)**	**(1,684)**	**(7,753)**
Relating to subsidiaries disposed of	**(78)**	**(9,853)**	**(2,111)**	**(12,042)**
Transfer between categories / investment properties / leasehold land	**(320)**	**38**	**261**	**(21)**
Exchange translation differences	**229**	**2,284**	**1,580**	**4,093**
At 31 December 2009	**10,174**	**36,591**	**65,431**	**112,196**
Net book value				
At 31 December 2009	**34,623**	**89,317**	**47,459**	**171,399**
At 31 December 2008	32,249	92,253	48,744	173,246
At 1 January 2008	30,840	102,155	48,347	181,342

13 Fixed assets (continued)

Land and buildings include projects under development in the amount of HK$5,983 million (2008 – HK$4,229 million).

Cost and net book value of fixed assets include HK$135,425 million (2008 – HK$135,381 million) and HK$88,673 million (2008 – HK$90,212 million) respectively, relating to **3** Group. Impairment tests were undertaken at 31 December 2009 and 31 December 2008 to assess whether the carrying value of the Group's 3G telecommunications licences and network assets were supported by the net present value of future cash flows forecast to be derived from the use of these assets for each respective business. Note 3(a) contains information about the estimates, assumptions and judgements relating to the impairment tests. The results of the tests undertaken as at 31 December 2009 and 31 December 2008 indicated that no impairment charge was necessary.

14 Investment properties

	2009 HK$ millions	2008 HK$ millions
Valuation		
At 1 January	**41,282**	43,680
Additions	**6**	17
Disposals	**(141)**	(1)
Relating to subsidiaries disposed of	**–**	(3,217)
Change in fair value of investment properties	**1,117**	672
Transfer from (to) fixed assets and leasehold land	**32**	(37)
Exchange translation differences	**27**	168
At 31 December	**42,323**	41,282

Investment properties have been fair valued as at 31 December 2009 and 31 December 2008 by DTZ Debenham Tie Leung Limited, professional valuers, on an open market value basis.

The Group's investment properties comprise:

	2009 HK$ millions	2008 HK$ millions
Hong Kong		
Long leasehold (not less than 50 years)	**16,772**	16,675
Medium leasehold (less than 50 years but not less than 10 years)	**24,406**	23,501
Outside Hong Kong		
Freehold	**210**	210
Medium leasehold	**935**	896
	42,323	41,282

14 Investment properties (continued)

At 31 December, the analysis of the Group's aggregate future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2009 HK$ millions	2008 HK$ millions
Within 1 year	**2,560**	2,315
After 1 year, but within 5 years	**2,394**	2,560
After 5 years	**15**	2

15 Leasehold land

	2009 HK$ millions	2008 HK$ millions
Net book value		
At 1 January	**34,745**	36,272
Additions	**30**	214
Disposals	**(15)**	(6)
Relating to subsidiaries disposed of	**(9)**	(1)
Revaluation upon transfer to investment properties	**6**	5
Amortisation for the year	**(1,002)**	(1,018)
Transfer from (to) investment properties	**(23)**	5
Transfer from (to) fixed assets	**58**	(20)
Exchange translation differences	**194**	(706)
At 31 December	**33,984**	34,745

The Group's leasehold land comprises:

	2009 HK$ millions	2008 HK$ millions
Hong Kong		
Long leasehold	**1,535**	1,550
Medium leasehold	**12,609**	12,945
Outside Hong Kong		
Long leasehold	**1,088**	1,274
Medium leasehold	**18,740**	18,921
Short leasehold (less than 10 years)	**12**	55
	33,984	34,745

16 Telecommunications licences

	2009 HK$ millions	2008 HK$ millions
Net book value		
At 1 January	**72,175**	91,897
Additions	**–**	384
Relating to subsidiaries disposed of	**(4,810)**	(62)
Amortisation for the year	**(633)**	(5,567)
Exchange translation differences	**4,018**	(14,477)
At 31 December	**70,750**	72,175
Cost	**97,955**	101,771
Accumulated amortisation and impairment	**(27,205)**	(29,596)
	70,750	72,175

As mentioned in note 2(h), the Group has revised its estimate of the useful life of its 3G licences in Italy and the UK to indefinite time period. The carrying amount of the Group's telecommunications licences with indefinite useful life in Italy and the UK is HK$27,746 million and HK$38,933 million, respectively.

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of telecommunications licences were tested for impairment as at 31 December 2009 and 31 December 2008. Note 3(a) contains information about the estimates, assumptions and judgements relating to telecommunications licences impairment tests. The results of the tests undertaken as at 31 December 2009 and 31 December 2008 indicated no impairment charge was necessary.

17 Goodwill

	2009 HK$ millions	2008 HK$ millions
Cost		
At 1 January	**30,436**	31,573
Relating to subsidiaries acquired	**605**	309
Relating to increase in interests in subsidiaries	**85**	1,112
Relating to subsidiaries disposed of	**(3,251)**	(228)
Relating to partial disposal of subsidiaries	**–**	(76)
Exchange translation differences	**983**	(2,254)
At 31 December	**28,858**	30,436

The carrying amount of goodwill primarily arises from the acquisition of four retail chains: Marionnaud of €645 million (2008 – €645 million), Kruidvat of €600 million (2008 – €600 million), Merchant Retail Group of £140 million (2008 – £140 million), Superdrug of £78 million (2008 – £78 million), as well as from increases in shareholdings in **3** Italia of €275 million (2008 – €275 million), Hutchison Telecommunications Hong Kong of HK$3,754 million (2008 – HK$3,812 million) and HTIL of HK$1,527 million (2008 – HK$2,388 million).

In accordance with the Group's accounting policy on asset impairment (see note 2(y)), the carrying values of goodwill were tested for impairment as at 31 December 2009 and 31 December 2008. Note 3(c) contains information about the estimates, assumptions and judgements relating to goodwill impairment tests. The results of the tests undertaken as at 31 December 2009 and 31 December 2008 indicated no impairment charge was necessary.

18 Brand names and other rights

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2009	2,050	8,436	10,486
Additions	–	494	494
Transfer from other assets	–	11	11
Amortisation for the year	(11)	(892)	(903)
Write off for the year	–	(53)	(53)
Relating to subsidiaries disposed of	–	(2,866)	(2,866)
Exchange translation differences	54	128	182
At 31 December 2009	2,093	5,258	7,351
Cost	2,112	11,377	13,489
Accumulated amortisation	(19)	(6,119)	(6,138)
	2,093	5,258	7,351

	Brand names HK$ millions	Other rights HK$ millions	Total HK$ millions
Net book value			
At 1 January 2008	1,960	8,941	10,901
Additions	228	550	778
Transfer from other assets	–	17	17
Amortisation for the year	(7)	(1,016)	(1,023)
Write off for the year	–	(67)	(67)
Exchange translation differences	(131)	11	(120)
At 31 December 2008	2,050	8,436	10,486
Cost	2,057	15,883	17,940
Accumulated amortisation	(7)	(7,447)	(7,454)
	2,050	8,436	10,486

The brand names as at 31 December 2009 primarily resulted from the acquisitions of Marionnaud and Merchant Retail group in 2005 and are assessed to have indefinite useful lives. The factors considered in the assessment of the useful lives include analysis of market and competitive trends, product life cycles, brand extension opportunities and management's long term strategic development.

The value of brand names acquired in 2005 was determined by an external valuer based on a royalty relief methodology, a commonly applied approach to valuing brand names, which was completed in December 2005. Brand names were tested for impairment as at 31 December 2009 and 31 December 2008 and the results of the tests indicated no impairment charge was necessary.

Other rights, which include customer base relating to subsidiaries acquired, operating and service content rights, are amortised over their finite useful lives.

19 Associated companies

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Unlisted shares	**8,665**	8,358	6,594
Listed shares, Hong Kong	**9,512**	9,512	9,512
Listed shares, outside Hong Kong	**10,341**	10,341	10,341
Share of undistributed post acquisition reserves	**47,042**	39,625	42,905
	75,560	67,836	69,352
Amounts due from associated companies	**9,188**	8,642	6,193
	84,748	76,478	75,545

The market value of the above listed investments at 31 December 2009 was HK$100,050 million (2008 – HK$94,237 million).

Particulars regarding the principal associated companies are set forth on pages 221 to 226.

The aggregate amounts of revenues, results, assets and liabilities of the Group's associated companies are as follows:

	2009 HK$ millions	2008 HK$ millions
Revenue	**207,034**	300,773
Profit after tax	**11,722**	40,073
Non-current assets	**452,728**	390,891
Current assets	**63,779**	62,810
Total assets	**516,507**	453,701
Non-current liabilities	**184,916**	162,295
Current liabilities	**90,453**	81,731
Total liabilities	**275,369**	244,026

19 Associated companies (continued)

The Group's share of the revenues, expenses and results of associated companies are as follows:

	2009 HK$ millions	2008 HK$ millions
Revenue	**48,836**	77,924
Expense	**(31,065)**	(50,587)
Group's share of Husky's gain on partial disposal in a resource property (see note 6)	**–**	3,122
EBITDA [a]	**17,771**	30,459
Depreciation and amortisation	**(7,743)**	(8,009)
Change in fair value of investment properties	**5**	–
EBIT [b]	**10,033**	22,450
Interest and other finance costs	**(2,484)**	(2,465)
Current tax	**(3,542)**	(2,742)
Deferred tax	**1,920**	(1,621)
Minority interests	**–**	22
Profit after tax	**5,927**	15,644

(a) EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes change in fair value of investment properties.

(b) EBIT is defined as earnings before interest expense and other finance costs and tax.

20 Interests in joint ventures

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Jointly controlled entities			
Unlisted shares	**41,935**	25,111	22,290
Share of undistributed post acquisition reserves	**(1,923)**	4,702	879
	40,012	29,813	23,169
Amounts due from jointly controlled entities	**11,556**	16,052	16,556
	51,568	45,865	39,725

There are no material contingent liabilities relating to the Group's interest in the joint ventures, save as for those disclosed in note 36.

Particulars regarding the principal jointly controlled entities are set forth on pages 221 to 226.

20 Interests in joint ventures (continued)

The aggregate amounts of revenues, results, assets and liabilities related to the Group's interest in its jointly controlled entities are as follows:

	2009 HK$ millions	2008 HK$ millions
Revenue	**90,691**	75,478
Profit after tax	**9,156**	12,526
Non-current assets	**151,887**	129,471
Current assets	**71,946**	52,140
Total assets	**223,833**	181,611
Non-current liabilities	**69,509**	83,488
Current liabilities	**71,585**	39,948
Total liabilities	**141,094**	123,436

The Group's share of the revenues, expenses, results and capital commitments of jointly controlled entities are as follows:

	2009 HK$ millions	2008 HK$ millions
Revenue	**42,905**	34,980
Expense	**(34,431)**	(25,994)
EBITDA [(a)]	**8,474**	8,986
Depreciation and amortisation	**(2,207)**	(1,316)
Change in fair value of investment properties	**541**	152
EBIT [(b)]	**6,808**	7,822
Interest and other finance costs	**(928)**	(757)
Current tax	**(1,323)**	(1,144)
Deferred tax	**(880)**	(635)
Profit after tax	**3,677**	5,286
Capital commitments	**977**	187

(a) EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes change in fair value of investment properties.

(b) EBIT is defined as earnings before interest expense and other finance costs and tax.

21 Deferred tax

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Deferred tax assets	**14,657**	13,248	17,619
Deferred tax liabilities	**13,355**	13,616	17,957
Net deferred tax assets (liabilities)	**1,302**	(368)	(338)

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2009 HK$ millions	2008 HK$ millions
At 1 January	**(368)**	(338)
Relating to subsidiaries acquired	**(2)**	208
Relating to subsidiaries disposed of	**506**	604
Transfer from current tax	**158**	(133)
Net credit to other comprehensive income	**149**	196
Net credit (charge) to the income statement		
Unused tax losses	**246**	(409)
Accelerated depreciation allowances	**(349)**	21
Fair value adjustments arising from acquisitions	**325**	346
Revaluation of investment properties and other investments	**(181)**	134
Reversal of temporary differences in the current year (see below)	**–**	2,764
Withholding tax on undistributed earnings	**(152)**	(211)
Other temporary differences	**203**	(69)
Exchange translation differences	**767**	(3,481)
At 31 December	**1,302**	(368)

Analysis of net deferred tax assets (liabilities):

	2009 HK$ millions	2008 HK$ millions
Unused tax losses	**16,034**	15,446
Accelerated depreciation allowances	**(4,121)**	(3,685)
Fair value adjustments arising from acquisitions	**(4,874)**	(5,763)
Revaluation of investment properties and other investments	**(4,486)**	(4,268)
Withholding tax on undistributed earnings	**(361)**	(343)
Other temporary differences	**(890)**	(1,755)
	1,302	(368)

During the year, no deferred tax asset has been recognised for the losses of **3** Group (2008 - nil).

21 Deferred tax (continued)

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and associates, and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future. In 2008, the Group wrote back a HK$2,764 million provision for deferred tax liabilities that had been set up in previous years in respect of potential dividend withholding tax on undistributed profits. The write back was made based on a revised assessment that it is not probable that this temporary difference would reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

At 31 December 2009, the Group has recognised accumulated deferred tax assets amounting to HK$14,657 million (2008 – HK$13,248 million) of which HK$13,054 million (2008 – HK$12,002 million) relates to **3** Group.

Note 3(e) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unused tax losses carried forward.

The potential net deferred tax asset mainly arising from accumulated unutilised tax losses, after appropriate offsetting, which has not been provided for in the accounts amounted to HK$37,033 million at 31 December 2009 (2008 – HK$44,053 million).

The unrecognised accumulated tax losses carried forward amounted to HK$146,345 million at 31 December 2009 (2008 – HK$171,287 million), out of which HK$114,902 million (2008 – HK$138,660 million) is attributable to **3** Group. Unrecognised tax losses of HK$84,004 million (2008 – HK$91,120 million) can be carried forward indefinitely. The remaining HK$62,341 million (2008 – HK$80,167 million) expires in the following years:

	2009 HK$ millions	2008 HK$ millions
In the first year	**21,179**	22,988
In the second year	**8,565**	22,542
In the third year	**11,228**	8,313
In the fourth year	**11,734**	11,738
In the fifth to tenth years inclusive	**9,635**	14,586
	62,341	80,167

As at 31 December 2009, deferred tax liabilities of HK$4,096 million (2008 – HK$3,465 million) have not been recognised for the withholding tax that would be payable on the remittance of the undistributed earnings of an associated company totalled HK$27,310 million (2008 – HK$23,100 million). Such amounts are permanently reinvested.

22 Other non-current assets

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Other unlisted investments			
Loans and receivables			
Unlisted debt securities	**1,391**	1,792	1,984
Infrastructure project investments	**–**	697	577
	1,391	2,489	2,561
Available-for-sale investments			
Unlisted equity securities	**1,334**	1,603	1,647
Pension assets (see note 30)	**–**	–	542
Fair value hedges (see note 28(a))			
Interest rate swaps	**2,561**	4,188	277
Cash flow hedges (see note 28(a))			
Interest rate swaps	**–**	–	55
Forward foreign exchange contracts	**–**	624	–
	5,286	8,904	5,082

The carrying value of the unlisted debt securities approximates the fair value as these investments bear floating interest rates and are repriced within one to six-month periods at the prevailing market interest rates. The weighted average effective interest rate of unlisted debt securities as at 31 December 2009 is 1.9% (2008 - 3.1%).

Unlisted equity securities where there is a history of dividends are carried at fair value based on the discounted present value of expected future dividends. The value of the remaining unlisted equity securities are not significant to the Group.

23 Liquid funds and other listed investments

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Available-for-sale investments			
Managed funds, outside Hong Kong	**14,404**	19,928	46,444
Listed / traded debt securities, outside Hong Kong	**2,962**	5,245	5,514
Listed equity securities, Hong Kong	**407**	840	6,312
Listed equity securities, outside Hong Kong	**4,781**	3,740	5,685
	22,554	29,753	63,955
Loans and receivables			
Long term deposits	**54**	65	4,196
Financial assets at fair value through profit or loss	**605**	917	1,041
	23,213	30,735	69,192

23 Liquid funds and other listed investments (continued)

Components of Managed funds, outside Hong Kong are as follows:

	2009 HK$ millions	2008 HK$ millions
Listed debt securities	14,138	19,592
Cash and cash equivalents	266	336
	14,404	19,928

Included in listed / traded debt securities outside Hong Kong is a principal amount of US$103 million notes issued by listed associated company, Husky Energy. Of which, US$78 million and US$25 million of these notes will mature in 2014 and 2019 respectively.

The fair value of the available-for-sale investments and financial assets designated as "at fair value through profit or loss" are based on quoted market prices. The market value of the liquid funds and other listed investments excluding long term deposits at 31 December 2009 was HK$23,159 million (2008 – HK$30,670 million).

Loans and receivables, represent long term deposits, are carried at amortised cost, which approximates their fair value as the deposits carry floating interest rates and are repriced every three months based on the prevailing market interest rates. The weighted average effective interest rate on long term deposits as at 31 December 2009 was 5.0% (2008 – 4.9%).

At 31 December, liquid funds and other listed investments are denominated in the following currencies:

	2009			2008		
	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage	Available-for-sale investments Percentage	Loans and receivables Percentage	Financial assets at fair value through profit or loss Percentage
HK dollars	2%	–	–	3%	–	–
US dollars	79%	–	69%	68%	–	78%
Euro	–	–	–	18%	–	–
Others	19%	100%	31%	11%	100%	22%
	100%	100%	100%	100%	100%	100%

23 Liquid funds and other listed investments (continued)

Listed / traded debt securities as at 31 December presented above are analysed as follows:

	2009 Percentage	2008 Percentage
Credit ratings		
Aaa/AAA	**78%**	73%
Aa1/AA+	**4%**	5%
Aa2/AA	**–**	14%
Aa3/AA-	**1%**	4%
Other investment grades	**5%**	4%
No investment grades	**12%**	–
	100%	100%
Sectorial		
Supranational notes	**38%**	27%
Government guaranteed notes	**32%**	25%
Financial institutions issued notes	**–**	21%
Government related entities issued notes	**12%**	17%
US Treasury notes	**1%**	10%
Husky Energy issued notes	**5%**	–
Others	**12%**	–
	100%	100%
Weighted average maturity	**1.3 year**	Less than 1 year
Weighted average effective yield	**2.19%**	3.41%

24 Cash and cash equivalents

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Cash at bank and in hand	**23,472**	16,835	13,650
Short term bank deposits	**69,049**	40,451	97,657
	92,521	57,286	111,307

The carrying amount of cash and cash equivalents approximates their fair value.

25 Trade and other receivables

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Trade receivables [(a)]	**29,081**	32,325	35,587
Less: provision for estimated impairment losses for bad debts [(b)]	**(5,852)**	(5,281)	(6,636)
Trade receivables – net	**23,229**	27,044	28,951
Other receivables and prepayments	**24,481**	27,442	26,235
Fair value hedges (see note 28(a))			
Interest rate swaps	**–**	–	100
Cash flow hedges (see note 28(a))			
Forward foreign exchange contracts	**436**	281	88
	48,146	54,767	55,374

Trade and other receivables are stated at the expected recoverable amount, net of any estimated impairment losses for bad debts where it is deemed that a receivable may not be fully recoverable.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 45 days. The carrying amount of these assets approximates their fair value. As stated above trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts. Given the profile of our customers and the Group's different types of businesses, the Group generally does not hold collateral over these balances.

The Group's five largest customers contributed less than 7% of the Group's turnover for the years ended 31 December 2009 and 2008.

(a) At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2009 HK$ millions	2008 HK$ millions
Less than 31 days	**11,147**	13,715
Within 31 to 60 days	**1,982**	2,941
Within 61 to 90 days	**826**	1,034
Over 90 days	**15,126**	14,635
	29,081	32,325

25 Trade and other receivables (continued)

(b) As at 31 December 2009, out of the trade receivables of HK$29,081 million (2008 – HK$32,325 million), HK$13,356 million (2008 – HK$13,030 million) are impaired and it is assessed that a portion of these receivables is expected to be recoverable. The amount of the provision for estimated impairment losses for bad debts is HK$5,852 million (2008 – HK$5,281 million). The ageing analysis of these trade receivables is as follows:

	2009 HK$ millions	2008 HK$ millions
Not past due	**3,096**	4,002
Past due less than 31 days	**1,079**	1,236
Past due within 31 to 60 days	**655**	602
Past due within 61 to 90 days	**459**	312
Past due over 90 days	**8,067**	6,878
	13,356	13,030

Movements on the provision for estimated impairment losses for bad debts are as follows:

	2009 HK$ millions	2008 HK$ millions
At 1 January	**5,281**	6,636
Additions	**1,491**	1,383
Utilisations	**(663)**	(1,759)
Write back	**(137)**	(163)
Relating to subsidiaries disposed of	**(592)**	(1)
Exchange translation differences	**472**	(815)
At 31 December	**5,852**	5,281

The ageing analysis of trade receivables not impaired is as follows:

	2009 HK$ millions	2008 HK$ millions
Not past due	**6,214**	8,018
Past due less than 31 days	**2,222**	2,439
Past due within 31 to 60 days	**560**	1,354
Past due within 61 to 90 days	**89**	395
Past due over 90 days	**6,640**	7,089
	15,725	19,295

26 Trade and other payables

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Trade payables	**18,409**	23,571	27,206
Other payables and accruals	**50,108**	51,810	53,257
Provisions (see note 27)	**2,378**	3,723	6,476
Interest free loans from minority shareholders	**2,099**	3,465	3,088
Fair value hedges (see note 28(a))			
Interest rate swaps	**–**	–	3
Cash flow hedges (see note 28(a))			
Interest rate swaps	**20**	–	–
Cross currency interest rate swaps	**5**	8	–
Forward foreign exchange contracts	**10**	22	111
	73,029	82,599	90,141

At 31 December, the ageing analysis of the trade payables is as follows:

	2009 HK$ millions	2008 HK$ millions
Less than 31 days	**8,828**	12,454
Within 31 to 60 days	**2,701**	2,917
Within 61 to 90 days	**964**	1,266
Over 90 days	**5,916**	6,934
	18,409	23,571

The Group's five largest suppliers accounted for less than 18% of the Group's cost of purchases for the years ended 31 December 2009 and 2008.

27 Provisions

	Restructuring and closure provision HK$ millions	Assets retirement HK$ millions	Others HK$ millions	Total HK$ millions
At 1 January 2008	5,410	889	1,054	7,353
Additions	64	177	432	673
Interest accretion	75	62	–	137
Utilisations	(573)	(1)	(400)	(974)
Write back (see note 5(f))	(1,082)	(28)	(61)	(1,171)
Relating to subsidiaries disposed of	–	(2)	–	(2)
Exchange translation differences	(1,205)	(99)	(6)	(1,310)
At 1 January 2009	**2,689**	**998**	**1,019**	**4,706**
Additions	**533**	**157**	**647**	**1,337**
Interest accretion	**26**	**(1)**	**–**	**25**
Utilisations	**(1,612)**	**(1)**	**(454)**	**(2,067)**
Write back	**(14)**	**(11)**	**(409)**	**(434)**
Transfer to other assets/liabilities	**(235)**	**(160)**	**–**	**(395)**
Relating to subsidiaries disposed of	**(28)**	**(55)**	**(15)**	**(98)**
Exchange translation differences	**168**	**36**	**8**	**212**
At 31 December 2009	**1,527**	**963**	**796**	**3,286**

Provisions are analysed as:

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Current portion (see note 26)	**2,378**	3,723	6,476
Non-current portion (see note 31)	**908**	983	877
	3,286	4,706	7,353

The provision for restructuring and closure obligations represents costs to execute restructuring plans and store closures.

The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

28 Bank and other debts

As disclosed in note 2(s) the carrying amount of bank and other debts comprises of items measured at amortised cost and an element of fair value which is due to movements in interest rates. The following is an analysis of the carrying amount of the bank and other debts:

	31 December 2009			31 December 2008			1 January 2008		
	Current portion	**Non-current portion**	**Total**	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	HK$ millions	**HK$ millions**	**HK$ millions**	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
Bank loans	**8,688**	**88,576**	**97,264**	19,022	96,613	115,635	42,282	114,163	156,445
Other loans	**526**	**426**	**952**	3,842	380	4,222	134	7,245	7,379
Notes and bonds	**8,310**	**152,563**	**160,873**	1,110	132,917	134,027	7,871	139,584	147,455
Total principal amount of bank and other debts	**17,524**	**241,565**	**259,089**	23,974	229,910	253,884	50,287	260,992	311,279
Unamortised loan facilities fees and premiums or discounts related to debts	**65**	**(793)**	**(728)**	(29)	43	14	(32)	(1,016)	(1,048)
Unrealised gain on bank and other debts pursuant to interest rate swap contracts [(a)]	**–**	**2,079**	**2,079**	–	4,188	4,188	–	110	110
	17,589	**242,851**	**260,440**	23,945	234,141	258,086	50,255	260,086	310,341

28 Bank and other debts (continued)

Analysis of principal amount of bank and other debts :

	2009			2008		
	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Repayable within 5 years	8,686	84,816	93,502	19,020	96,589	115,609
Not wholly repayable within 5 years	2	3,760	3,762	2	24	26
	8,688	88,576	97,264	19,022	96,613	115,635
Other loans						
Repayable within 5 years	493	105	598	3,841	359	4,200
Not wholly repayable within 5 years	33	321	354	1	21	22
	526	426	952	3,842	380	4,222
Notes and bonds						
US$1,065 million (2008 - US$1,438 million) notes, 5.45% due 2010	8,310	–	8,310	–	11,213	11,213
US$1,167 million (2008 - US$1,497 million) notes, 7% due 2011	–	9,104	9,104	–	11,675	11,675
US$3,146 million (2008 - US$3,486 million) notes, 6.5% due 2013	–	24,542	24,542	–	27,191	27,191
US$1,309 million (2008 - US$1,995 million) notes, 6.25% due 2014	–	10,206	10,206	–	15,561	15,561
US$2,189 million notes, 4.625% due 2015	–	17,077	17,077	–	–	–
US$500 million notes - Series B, 7.45% due 2017	–	3,900	3,900	–	3,900	3,900
US$1,000 million notes, 5.75% due 2019	–	7,800	7,800	–	–	–
US$1,500 million notes, 7.625% due 2019	–	11,700	11,700	–	–	–
US$329 million (2008 - US$500 million) notes - Series C, 7.5% due 2027	–	2,565	2,565	–	3,900	3,900
US$25 million (2008 - US$241 million) notes - Series D, 6.988% due 2037	–	196	196	–	1,880	1,880
US$1,144 million (2008 - US$1,500 million) notes, 7.45% due 2033	–	8,926	8,926	–	11,700	11,700
EUR1,000 million notes, 5.875% due 2013	–	11,080	11,080	–	10,850	10,850
EUR603 million (2008 - EUR634 million) notes, 4.125% due 2015	–	6,679	6,679	–	6,883	6,883
EUR669 million (2008 - EUR967 million) notes, 4.625% due 2016	–	7,414	7,414	–	10,487	10,487
EUR1,750 million notes, 4.75% due 2016	–	19,390	19,390	–	–	–
GBP325 million bonds, 6.75% due 2015	–	4,046	4,046	–	3,757	3,757
GBP116 million (2008 - GBP300 million) bonds, 5.625% due 2017	–	1,445	1,445	–	3,468	3,468
GBP309 million (2008 - GBP400 million) bonds, 5.625% due 2026	–	3,847	3,847	–	4,624	4,624
JPY30,000 million notes, 3.5% due 2032	–	2,646	2,646	–	2,498	2,498
NIS2,000 million notes, Israeli Consumer Price Index + 4.25% due 2012	–	–	–	1,110	3,330	4,440
	8,310	152,563	160,873	1,110	132,917	134,027
	17,524	241,565	259,089	23,974	229,910	253,884

28 Bank and other debts (continued)

Bank and other debts at principal amount are repayable as follows:

	2009			2008		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Bank loans						
Current portion	**8,688**	**–**	**8,688**	19,022	–	19,022
After 1 year, but within 2 years	**–**	**31,992**	**31,992**	–	22,875	22,875
After 2 years, but within 5 years	**–**	**52,826**	**52,826**	–	73,718	73,718
After 5 years	**–**	**3,758**	**3,758**	–	20	20
	8,688	**88,576**	**97,264**	19,022	96,613	115,635
Other loans						
Current portion	**526**	**–**	**526**	3,842	–	3,842
After 1 year, but within 2 years	**–**	**124**	**124**	–	252	252
After 2 years, but within 5 years	**–**	**128**	**128**	–	111	111
After 5 years	**–**	**174**	**174**	–	17	17
	526	**426**	**952**	3,842	380	4,222
Notes and bonds						
Current portion	**8,310**	**–**	**8,310**	1,110	–	1,110
After 1 year, but within 2 years	**–**	**9,104**	**9,104**	–	12,694	12,694
After 2 years, but within 5 years	**–**	**45,828**	**45,828**	–	51,566	51,566
After 5 years	**–**	**97,631**	**97,631**	–	68,657	68,657
	8,310	**152,563**	**160,873**	1,110	132,917	134,027
	17,524	**241,565**	**259,089**	23,974	229,910	253,884

In December 2009, the Group obtained a five-year floating rate syndicated loan facility of HK$5,000 million to refinance certain of the current portion of the debts.

In February and March 2010, the Group obtained two five-year floating rate loan facilities of HK$1,000 million each to refinance certain of the current portion of the debts.

The bank and other debts of the Group as at 31 December 2009 are secured to the extent of HK$2,285 million (2008 – HK$10,293 million), all relating to the Established businesses. Of the amount secured as at 31 December 2008, HK$2,615 million are non-guaranteed loans for 3G businesses.

Borrowings with principal amount of HK$97,232 million (2008 – HK$123,383 million) bear interest at floating interest rates and borrowings with principal amount of HK$161,857 million (2008 – HK$130,501 million) bear interest at fixed interest rates.

28 Bank and other debts (continued)

The carrying amounts and fair values of the borrowings are as follows:

	Carrying amounts		Fair values	
	2009 HK$ millions	2008 HK$ millions	**2009 HK$ millions**	2008 HK$ millions
Bank loans	**96,930**	115,348	**96,925**	115,346
Other loans	**952**	4,221	**949**	4,025
Notes and bonds	**162,558**	138,517	**169,345**	122,941
	260,440	258,086	**267,219**	242,312

The fair values of the non-current borrowings are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued. The carrying amounts of current portion of the borrowings approximate their fair value.

Borrowings at principal amount are denominated in the following currencies (inclusive of the effect of hedging transactions):

	2009 Percentage	2008 Percentage
HK dollars	**30%**	15%
US dollars	**31%**	35%
Euro	**28%**	33%
British pounds	**5%**	6%
Other currencies	**6%**	11%
	100%	100%

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. As disclosed in note 2(n), the Group's policy is not to utilise derivative financial instruments for trading or speculative purposes. The Group has entered into interest rate swap agreements with banks and other financial institutions mainly to swap fixed interest rate borrowings to floating interest rate borrowings to manage the fixed and floating interest rate mix of the Group's total debt portfolio. At 31 December 2009, the notional amount of the outstanding interest rate swap agreements with financial institutions amounted to HK$97,813 million (2008 – HK$48,750 million).

In addition, interest rate swap agreements with notional amount of HK$3,806 million (2008 – HK$3,013 million) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mainly mitigate interest rate exposures to certain infrastructure project related borrowings.

As at 31 December 2009, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million to Hong Kong dollar (2008 – HK$62 million to non-US dollar) principal amount of borrowings to match currency exposures of the underlying businesses.

28 Bank and other debts (continued)

(a) The analysis of derivative financial instruments utilised by the Group in the management of its interest rate and foreign currency exposures are as follows:

	2009			2008		
	Current portion HK$ millions	**Non-current portion HK$ millions**	**Total HK$ millions**	Current portion HK$ millions	Non-current portion HK$ millions	Total HK$ millions
Fair value hedges						
Derivative financial assets						
Interest rate swaps (see notes 22 and 25)	**–**	**2,561**	**2,561**	–	4,188	4,188
Derivative financial liabilities						
Interest rate swaps (see notes 26 and 31)	**–**	**(152)**	**(152)**	–	–	–
Cross currency interest rate swaps (see notes 26 and 31)	**–**	**(330)**	**(330)**	–	–	–
	–	**(482)**	**(482)**	–	–	–
	–	**2,079**	**2,079**	–	4,188	4,188
Cash flow hedges						
Derivative financial assets						
Forward foreign exchange contracts (see notes 22 and 25)	**436**	**–**	**436**	281	624	905
Derivative financial liabilities						
Interest rate swaps (see notes 26 and 31)	**(20)**	**–**	**(20)**	–	(50)	(50)
Cross currency interest rate swaps (see notes 26 and 31)	**(5)**	**–**	**(5)**	(8)	(4)	(12)
Forward foreign exchange contracts (see notes 26 and 31)	**(10)**	**–**	**(10)**	(22)	–	(22)
	(35)	**–**	**(35)**	(30)	(54)	(84)
	401	**–**	**401**	251	570	821

29 Interest bearing loans from minority shareholders

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Interest bearing loans from minority shareholders	**13,424**	13,348	12,508

The carrying amount of the borrowings approximates their fair value.

30 Pension plans

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Defined benefit plans			
Pension assets	–	–	542
Pension obligations	2,436	2,541	1,468
	2,436	2,541	926

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong, the United Kingdom and the Netherlands. The plans are either contributory final salary pension plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The Group's major plans were valued by Watson Wyatt, qualified actuaries as at 31 December 2009 and 31 December 2008 using the projected unit credit method to account for the Group's pension accounting costs.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2009	2008
Discount rate applied to defined benefit plan obligations	2.20% - 6.00%	1.60% – 6.40%
Expected return on plan assets	4.30% - 8.48%	4.80% – 8.36%
Future salary increases	1.28% - 5.50%	0% – 4.30%
Interest credited on two principal plans in Hong Kong	5.00% - 6.00%	5.00% – 6.00%

The expected return on plan assets is based on market expectations for returns and long-term benchmark allocation of equities and bonds in each plan and allowing for administration fees and other expenses charged to the plans.

The amount recognised in the consolidated statement of financial position is determined as follows:

	2009 HK$ millions	2008 HK$ millions
Present value of defined benefit obligations	13,985	11,452
Fair value of plan assets	11,574	8,981
	2,411	2,471
Unrecognised past services costs	(35)	(41)
Restrictions on asset recognised	60	111
Net defined benefit plan obligations	2,436	2,541

Fair value of plan assets of HK$11,574 million (2008 – HK$8,981 million) includes investments in the Company's shares with a fair value of HK$39 million (2008 – HK$32 million).

30 Pension plans (continued)

(a) Defined benefit plans (continued)

Changes in the present value of the defined benefit obligations are as follows:

	2009 HK$ millions	2008 HK$ millions
At 1 January	**11,452**	13,151
Current service cost net of employee contributions	**561**	595
Actual employee contributions	**128**	122
Interest cost	**574**	627
Actuarial losses (gains) on obligation	**1,454**	(576)
Gains on curtailments	**(41)**	(64)
Relating to subsidiaries acquired	**–**	6
Relating to subsidiaries disposed of	**(330)**	–
Transfer to other liabilities	**(13)**	–
Actual benefits paid	**(772)**	(679)
Exchange differences	**972**	(1,730)
At 31 December	**13,985**	11,452

Changes in the fair value of the plan assets are as follows:

	2009 HK$ millions	2008 HK$ millions
At 1 January	**8,981**	12,175
Expected return on plan assets	**635**	837
Actuarial gains (losses) on plan assets	**1,426**	(2,775)
Actual company contributions	**721**	829
Actual employee contributions	**128**	122
Relating to subsidiaries acquired	**–**	6
Relating to subsidiaries disposed of	**(233)**	–
Assets distributed on settlements	**–**	(80)
Actual benefits paid	**(772)**	(679)
Exchange differences	**688**	(1,454)
At 31 December	**11,574**	8,981

30 Pension plans (continued)

(a) Defined benefit plans (continued)

The amount recognised in the consolidated income statement is as follows:

	2009 HK$ millions	2008 HK$ millions
Current service cost	561	595
Past service cost	8	8
Interest cost	574	627
Losses (gains) on curtailments and settlements	(41)	16
Expected return on plan assets	(635)	(837)
Total expense	467	409
Less: expense capitalised	(1)	(1)
Total, included in staff costs	466	408

The actual return on plan assets was HK$2,061 million (2008 – losses of HK$1,938 million).

The actuarial gains recognised in other comprehensive income in current year was HK$31 million (2008 – losses of HK$2,310 million). The cumulative actuarial losses recognised in other comprehensive income amounted to HK$1,823 million (2008 – HK$1,845 million).

Fair value of the plan assets are analysed as follows:

	2009 Percentage	2008 Percentage
Equity instruments	47%	49%
Debt instruments	46%	43%
Other assets	7%	8%
	100%	100%

The experience adjustments are as follows:

	2009 HK$ millions	2008 HK$ millions	2007 HK$ millions	2006 HK$ millions	2005 HK$ millions
Present value of defined benefit obligations	13,985	11,452	13,151	12,659	10,545
Fair value of plan assets	11,574	8,981	12,175	10,228	8,222
Deficit	2,411	2,471	976	2,431	2,323
Experience adjustments on defined benefit obligations	(82)	502	(13)	(18)	(308)
Experience adjustments on plan assets	729	(2,253)	648	561	429

30 Pension plans (continued)

(a) Defined benefit plans (continued)

There is no immediate requirement for the Group to fund the deficit between the fair value of defined benefit plan assets and the present value of the defined benefit plan obligations disclosed as at 31 December 2009. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for each of the Group's pension plans to fully fund the relevant schemes on an ongoing basis. The realisation of the deficit is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. Funding requirements of the Group's major defined benefit plans are detailed below.

The Group operates two principal plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and a benefit derived by a formula based on the final salary and years of service. A formal independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 31 May 2009 reported a funding level of 99.8% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 6.0% per annum and salary increases of 4.0%. The valuation was performed by Tian Keat Aun, a Fellow of The Institute of Actuaries, of Watson Wyatt Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2009 this plan is fully funded for the funding of vested benefits in accordance with the ORSO funding requirements. During the year, forfeited contributions totalling HK$19 million (2008 – HK$29 million) were used to reduce the current year's level of contributions and HK$2 million was available at 31 December 2009 (2008 – HK$3 million) to reduce future years' contributions.

The Group operates three contributory defined benefit plans in the United Kingdom for its ports division, of which the Port of Felixstowe Pension Plan is the principal plan. The plans are all final salary in nature and were closed to new entrants in June 2003. On the assumptions adopted at the last formal actuarial valuation using the projected unit method at 1 January 2007, the ratio of assets to liabilities for the Felixstowe Scheme was 72%. The sponsoring employer's contributions were increased from October 2008 to finance the increased cost of accrual of benefits and to fund the deficit over a period of ten years. The main assumptions in the valuation are an investment return of 7.25% (pre-retirement) and 4.6% (post-retirement), pensionable salary increases of 3.35% per annum and pension increases of 3.1% per annum (for service before 6 April 2005) and 2.25% per annum (for service after 5 April 2005). The valuation was performed by Graham Mitchell, a Fellow of the Institute of Actuaries, of Watson Wyatt Limited.

The Group's defined benefit pension plans for its ports and retail operations in the Netherlands are guaranteed contracts undertaken by insurance companies to provide defined benefit pensions in return for actuarially agreed contributions. The risk of providing past pension benefits is underwritten by the insurance companies. The Group does not carry funding risk relating to past service. The funding rate to provide current year benefits varies in accordance with annual actuarial calculations. As per end of 2009, the combination of the interest rate and a high risk spread result in a relatively low defined benefit obligation. Since additional payments by the insurance company were made, the net assets are temporarily higher than the defined benefit obligation. In accordance with applicable accounting standards a net asset reduction was applied.

The Group operates two defined benefit pension plans for part of its retail operations in the United Kingdom. One was assumed on acquisition of a subsidiary company in 2002 and is not open to new entrants. The latest formal valuation for funding purposes was carried out at 31 March 2006. On the assumptions adopted at the valuation using the projected unit method, the ratio of actual asset value to the target asset value being funded for past service benefits was 90%. The sponsoring employer made a cash injection of £6.0 million in June 2007 towards the shortfall being corrected within three years. The main assumptions in the valuation are an investment return of 4.7% to 6.3% per annum and pensionable salary increases of 3.25% to 4.25% per annum. The valuation was performed by Chris Norden, a Fellow of the Institute of Actuaries, of Hewitt Bacon & Woodrow Limited.

The Group's other defined benefit retirement plan for its retail operations in the United Kingdom was assumed on acquisition of a subsidiary company in 2005. The plan is final salary in nature with a money purchase underpin arrangement. The plan was closed to new entrants on 1 April 2001 and on 31 December 2008 the plan ceased accrual for the remaining four active members. In 2008, the Trustees purchased an insurance policy in respect of all members' benefits that will match future benefit payments, and as such the plan assets will equal the plan liabilities going forward. The annuity policy is currently retained by the Trustees as an investment of the plan. In 2009, the plan has been put into wind up and the policy is used to secure the individuals' liabilities.

30 Pension plans (continued)

(b) Defined contribution plans

The Group's costs in respect of defined contribution plans for the year amounted to HK$792 million (2008 – HK$724 million). No forfeited contributions (2008 – nil) were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2009 (2008 – nil) to reduce future years' contributions.

31 Other non-current liabilities

	31 December 2009 HK$ millions	31 December 2008 HK$ millions	1 January 2008 HK$ millions
Fair value hedges (see note 28(a))			
Interest rate swaps	**152**	–	264
Cross currency interest rate swaps	**330**	–	–
Cash flow hedges (see note 28(a))			
Interest rate swaps	**–**	50	–
Cross currency interest rate swaps	**–**	4	22
Forward foreign exchange contracts	**–**	–	187
Obligations for telecommunications licences and other rights	**3,130**	3,549	4,579
Provisions (see note 27)	**908**	983	877
	4,520	4,586	5,929

32 Share capital and capital management

(a) Share capital

	2009 Number of shares	2008 Number of shares	**2009 HK$ millions**	2008 HK$ millions
Authorised:				
Ordinary shares of HK$0.25 each	**5,500,000,000**	5,500,000,000	**1,375**	1,375
7½% cumulative redeemable participating preference shares of HK$1 each	**402,717,856**	402,717,856	**403**	403
			1,778	1,778
Issued and fully paid:				
Ordinary shares	**4,263,370,780**	4,263,370,780	**1,066**	1,066

32 Share capital and capital management (continued)

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2009, total equity amounted to HK$320,944 million (2008 – HK$292,131 million), and consolidated net debt of the Group, excluding loans from minority shareholders which are viewed as quasi equity, was HK$143,355 million (2008 – HK$165,863 million). The Group's net debt to net total capital ratio decreased to 29.9% from 34.9% at the end of last year.

As additional information, the following table shows the net debt to net capital ratio calculated on the basis of including loans from minority shareholders and also with the Group's investments in its listed subsidiaries and associated companies marked to market value at the end of the reporting period.

Net debt / Net total capital ratios[a] at 31 December

	2009	2008
A1 – excluding loans from minority shareholders from debt	**29.9%**	34.9%
A2 – as in A1 above and investments in listed subsidiaries and associated companies marked to market value	**27.6%**	33.3%
B1 – including loans from minority shareholders from debt	**32.7%**	37.7%
B2 – as in B1 above and investments in listed subsidiaries and associated companies marked to market value	**30.2%**	36.0%

a Net debt is defined on the Consolidated Statement of Cash Flows. Net total capital is defined as total principal amount of bank and other debts plus total equity and loans from minority shareholders net of total cash, liquid funds and other listed investments as shown on the Consolidated Statement of Cash Flows .

33 Notes to consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest and other finance costs, tax paid, telecommunications CACs and changes in working capital

	2009 HK$ millions	2008 HK$ millions
Profit after tax	**21,737**	19,481
Adjustments for:		
Current tax charge	**4,588**	3,443
Deferred tax credit	**(92)**	(2,576)
Interest and other finance costs	**9,613**	17,286
Change in fair value of investment properties	**(1,117)**	(672)
Depreciation and amortisation	**16,258**	24,876
Non-cash items included in profit on disposal of investments and others	**(3,641)**	(5,159)
Share of associated companies' and jointly controlled entities'		
Minority interests	**–**	(22)
Current tax charge	**4,865**	3,886
Deferred tax charge (credit)	**(1,040)**	2,256
Interest and other finance costs	**3,412**	3,222
Change in fair value of investment properties	**(546)**	(152)
Depreciation and amortisation	**9,950**	9,325
EBITDA [a]	**63,987**	75,194
Telecommunications CACs	**16,544**	22,926
Share of jointly controlled entity's telecommunications CACs	**2,456**	–
EBITDA before telecommunications CACs	**82,987**	98,120
Share of EBITDA of associated companies and jointly controlled entities	**(28,701)**	(36,323)
Profit on disposal of unlisted investments	**(41)**	–
Profit on disposal of fixed assets, leasehold land and investment properties	**(592)**	(1,532)
Dividends received from associated companies and jointly controlled entities	**7,469**	10,291
Distribution from property jointly controlled entities	**208**	101
Profit on disposal of subsidiary and associated companies and jointly controlled entities	**(8,166)**	(2,770)
Other non-cash items	**(103)**	(3,321)
	53,061	64,566

a EBITDA, included as a subtotal as supplementary information, represents the EBITDA of the Company and subsidiary companies as well as the Group's share of the EBITDA of associated companies and jointly controlled entities. EBITDA is defined as earnings before interest expense and other finance costs, tax, depreciation and amortisation, and includes profit on disposal of investments and others and other earnings of a cash nature but excludes change in fair value of investment properties. Information concerning EBITDA has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA is not a measure of cash liquidity or financial performance under generally accepted accounting principles in Hong Kong and the EBITDA measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA should not necessarily be construed as an alternative to cash flows as determined in accordance with generally accepted accounting principles in Hong Kong.

33 Notes to consolidated statement of cash flows (continued)

(b) Changes in working capital

	2009 HK$ millions	2008 HK$ millions
Decrease in inventories	1,619	253
Decrease (increase) in debtors and prepayments	355	(2,152)
Decrease in creditors	(8,702)	(1,089)
Other non-cash items	2,214	(2,194)
	(4,514)	(5,182)

(c) Purchase of subsidiary companies

	2009		2008
	Book value HK$ millions	Fair value HK$ millions	Fair value HK$ millions
Aggregate net assets acquired at acquisition date:			
Fixed assets	94	94	829
Deferred tax assets	–	–	208
Inventories	178	178	8
Cash and cash equivalents	23	23	28
Trade and other receivables	80	80	95
Bank and other debts	(119)	(119)	(97)
Creditors and current tax liabilities	(267)	(267)	(258)
Deferred tax liabilities	(2)	(2)	–
Loans from minority shareholders	–	–	(562)
Minority interests	–	1	320
	(13)	(12)	571
Goodwill arising on acquisition		605	309
		593	880
Less: Cost of investments just prior to purchase		(444)	(880)
Discharged by cash payment		149	–
Net cash outflow (inflow) arising from acquisition:			
Cash payment		149	–
Cash and cash equivalents acquired		(23)	(28)
Total net cash consideration		126	(28)

The contribution to the Group's revenue and profit after tax from these subsidiaries acquired since the respective date of acquisition is not material.

33 Notes to consolidated statement of cash flows (continued)

(d) Disposal of subsidiary companies

	2009 HK$ millions	2008 HK$ millions
Aggregate net assets disposed at date of disposal (excluding cash and cash equivalents):		
Fixed assets	**12,272**	168
Investment properties	**–**	3,217
Leasehold land	**9**	1
Telecommunications licences	**4,810**	62
Brand name and other rights	**2,866**	–
Goodwill	**3,251**	228
Associated companies	**655**	–
Interests in joint ventures	**5,159**	–
Other non-current assets	**19**	–
Inventories	**704**	27
Trade and other receivables	**6,516**	77
Bank and other debts	**(4,284)**	(4)
Pension obligations	**(97)**	–
Other non-current liabilities	**(98)**	(23)
Creditors and current tax liabilities	**(3,678)**	(246)
Deferred tax liabilities	**(506)**	(604)
Minority interests	**(4,367)**	(107)
Loans from minority shareholders	**(9)**	–
Reserves	**(1,126)**	(248)
	22,096	2,548
Profit on disposal	**12,008**	2,500
	34,104	5,048
Less: Investments retained subsequent to disposal	**(18,212)**	246
	15,892	5,294
Satisfied by:		
Cash and cash equivalents received as consideration	**16,121**	5,496
Less: Cash and cash equivalents sold	**(229)**	(202)
Total net cash consideration	**15,892**	5,294

The effect on the Group's results from the disposal of subsidiary companies is not material for the year ended 31 December 2009.

34 Share-based payments

The Company has no share option scheme but certain of the Company's subsidiary companies and associated companies have issued equity-settled and cash-settled share-based payments to certain employees. The aggregate amount of the share-based payments recognised by these companies are not material to the Group.

35 Pledge of assets

At 31 December 2009, assets of the Group totalling HK$2,503 million (2008 – HK$10,857 million) were pledged as security for bank and other debts.

36 Contingent liabilities

At 31 December 2009, the holding company, Hutchison Whampoa Limited, and its subsidiaries provide guarantees in respect of bank and other borrowing facilities to its associated companies and jointly controlled entities of HK$13,081 million (2008 – HK$4,334 million).

The amount utilised by its associated companies and jointly controlled entities are as follows:

	2009 HK$ millions	2008 HK$ millions
To associated companies		
Other businesses	**1,147**	871
To jointly controlled entities		
Property businesses	**1,609**	1,535
Other businesses	**9,771**	1,343
	11,380	2,878

At 31 December 2009, the Group had provided performance and other guarantees of HK$5,039 million (2008 – HK$7,820 million) primarily for telecommunications businesses.

37 Commitments

Outstanding Group commitments not provided for in the accounts at 31 December 2009 are as follows:

Capital commitments

1. Contracted for:
   - i. Container terminals, Hong Kong – nil (2008 – HK$13 million)
   - ii. Container terminals, Mainland China – nil (2008 – HK$1,176 million)
   - iii. Container terminals, others – HK$2,210 million (2008 – HK$3,774 million)
   - iv. Telecommunications – **3** Group – HK$1,198 million (2008 – HK$3,635 million)
   - v. Telecommunications – HK$2,480 million (2008 – HK$1,612 million)
   - vi. Investment properties, Hong Kong – HK$4 million (2008 – nil)
   - vii. Investment in joint ventures outside Hong Kong – HK$6 million (2008 – HK$75 million)
   - viii. Other fixed assets – HK$338 million (2008 – HK$355 million)

37 Commitments (continued)

Capital commitments (continued)

2. Authorised but not contracted for:

   The Group, as part of its annual budget process, budgets for future capital expenditures and these amounts are shown below. These budgeted amounts are subject to a rigorous authorisation process before the expenditure is committed.

   i. Container terminals, Hong Kong – HK$61 million (2008 – nil)
   ii. Container terminals, Mainland China – HK$791 million (2008 – nil)
   iii. Container terminals, others – HK$1,898 million (2008 – nil)
   iv. Telecommunications – **3** Group – HK$6,333 million (2008 – HK$5,144 million)
   v. Telecommunications – HK$2,177 million (2008 – nil)
   vi. Investment properties, Hong Kong – HK$2 million (2008 – nil)
   vii. Investment in joint ventures, Hong Kong – nil (2008 – HK$131 million)
   viii. Investment in joint ventures outside Hong Kong – HK$3 million (2008 – HK$635 million)
   ix. Other fixed assets – HK$1,273 million (2008 – HK$1,288 million)

Operating lease commitments – future aggregate minimum lease payments for land and buildings leases

Established Businesses

1. In the first year – HK$8,313 million (2008 – HK$7,584 million)
2. In the second to fifth years inclusive – HK$20,506 million (2008 – HK$21,244 million)
3. After the fifth year – HK$43,194 million (2008 – HK$43,895 million)

Telecommunications – **3** Group

1. In the first year – HK$2,526 million (2008 – HK$2,259 million)
2. In the second to fifth years inclusive – HK$6,672 million (2008 – HK$6,362 million)
3. After the fifth year – HK$5,901 million (2008 – HK$8,895 million)

Operating lease commitments – future aggregate minimum lease payments for other assets

Established Businesses

1. In the first year – HK$1,017 million (2008 – HK$624 million)
2. In the second to fifth years inclusive – HK$3,176 million (2008 – HK$2,434 million)
3. After the fifth year – HK$4,301 million (2008 – HK$3,630 million)

Telecommunications – **3** Group

1. In the first year – HK$28 million (2008 – HK$32 million)
2. In the second to fifth years inclusive – HK$12 million (2008 – HK$19 million)
3. After the fifth year – nil (2008 – nil)

38 Related parties transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Transactions between the Group and other related parties during the year are not significant to the Group. The outstanding balances with associated companies and jointly controlled entities as disclosed in notes 19 and 20 are unsecured. Balances totalling HK$4,081 million (2008 – HK$3,551 million) are interest bearing. In addition, during the year, the Group acquired traded debt securities outside Hong Kong with a principal amount of US$200 million notes issued by listed associated company, Husky Energy and sold certain of these notes with a principal amount of US$97 million. As disclosed in note 23, as at 31 December 2009, principal amount totalling US$78 million and US$25 million of these notes will mature in 2014 and 2019 respectively.

The Group has entered into joint ventures with Cheung Kong (Holdings) Limited, a substantial shareholder of the Company, to undertake various, mainly property, projects. At 31 December 2009, included in associated companies and interests in joint ventures on the statement of financial position is a total amount of HK$27,042 million (2008 – HK$25,301 million) representing equity contributions to and the net amount due from these related entities. The Group had guaranteed bank and other borrowing facilities of HK$1,759 million (2008 – HK$2,283 million) for the benefit of these same entities.

No transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 7.

39 Legal proceedings

As at 31 December 2009, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

40 Subsequent events

On 8 January 2010, Hutchison Telecommunications Holdings Limited, a wholly owned subsidiary of the Company, requested the board of directors of Hutchison Telecommunications International to put forward a proposal to shareholders of Hutchison Telecommunications International (other than the Group) regarding a proposed privatisation of Hutchison Telecommunications International by way of scheme of arrangement under section 86 of the Cayman Islands Companies Law. Upon the scheme of arrangement becoming effective, Hutchison Telecommunications International will become a wholly owned subsidiary of the Company, and it is anticipated that listing of Hutchison Telecommunications International's shares on the Hong Kong Stock Exchange and the listing of Hutchison Telecommunications International's American depositary shares on the New York Stock Exchange will be withdrawn and terminated.

41 US dollar equivalents

Amounts in these accounts are stated in Hong Kong dollars (HK$), the currency of the place in which the Company is incorporated and is the functional currency of the Company. The translation into US dollars of these accounts as of, and for the year ended, 31 December 2009, is for convenience only and has been made at the rate of HK$7.80 to US$1. This translation should not be construed as a representation that the Hong Kong dollar amounts actually represented have been, or could be, converted into US dollars at this or any other rate.

42 Approval of accounts

The accounts set out on pages 130 to 226 were approved by the Board of Directors on 30 March 2010.

43 Profit before tax

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, profit before tax is shown after crediting and charging the following items:

	2009 HK$ millions	2008 HK$ millions
Credits:		
Share of profits less losses of associated companies		
Listed	**4,874**	14,934
Unlisted	**1,053**	710
	5,927	15,644
Share of gross rental income of associated companies and jointly controlled entities	**614**	649
Gross rental income from investment properties held by:		
Listed subsidiary – HHR	**80**	182
Other subsidiaries (excluding HHR)	**3,173**	2,750
Less: intra group rental income	**(346)**	(297)
	2,907	2,635
Less: related outgoings	**(37)**	(56)
Net rental income of subsidiary companies	**2,870**	2,579
Dividend and interest income from managed funds and other investments		
Listed	**1,049**	1,986
Unlisted	**149**	219
Charges:		
Depreciation and amortisation		
Fixed assets	**13,720**	17,268
Telecommunications licences	**633**	5,567
Leasehold land	**1,002**	1,018
Brand names and other rights	**903**	1,023
	16,258	24,876
Inventories write off	**1,221**	1,692
Operating leases		
Properties	**14,780**	15,938
Hire of plant and machinery	**1,624**	1,378
Auditors' remuneration		
Audit and audit related work - PricewaterhouseCoopers	**195**	215
- other auditors	**13**	22
Non-audit work - PricewaterhouseCoopers	**24**	29
– other auditors	**20**	23

44 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents, liquid funds and other listed investments and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures that are approved by the Executive Directors, and which are also subject to periodic review by the Group's internal audit function. The Group's treasury policies are designed to mitigate the impact of fluctuation in interest rates and exchange rates and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. The Group cautiously uses derivatives, principally interest rate and foreign currency swaps and forward currency contracts as appropriate for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, with significant underlying leverage or derivative exposure.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-HK or non-US dollar currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries and associates to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, which change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to have a healthy financial position. Cash, liquid funds and other listed investments ("liquid assets") amounted to HK$115,734 million at 31 December 2009, 31% higher than the balance as at 31 December 2008 of HK$88,021 million, mainly due to cash flow from its established businesses and cash proceeds received on disposal of the Group's interests in its telecommunications operations in Israel and certain power plants, as well as new borrowings of HK$111,452 million, partially offset by the utilisation of cash to repay debts as they matured, and also to repay certain debts early, totalling HK$103,182 million. Of the liquid assets, 9% were denominated in HK dollars, 57% in US dollars, 13% in Renminbi, 6% in Euro, 4% in British pounds and 11% in other currencies (2008 – 13% were denominated in HK dollars, 48% in US dollars, 10% in Renminbi, 14% in Euro, 5% in British pounds and 10% in other currencies).

Cash and cash equivalents represented 80% (2008 – 65%) of the liquid assets, US Treasury notes and listed / traded debt securities 15% (2008 – 29%), listed equity securities 4% (2008 – 5%) and long-term deposits and others 1% (2008 – 1%).

The US Treasury notes and listed / traded debt securities, including those held under managed funds, consisted of supranational notes (38%) (2008 – 27%), government guaranteed notes (32%) (2008 – 25%), financial institutions issued notes (nil) (2008 – 21%), government related entities issued notes (12%) (2008 – 17%), notes issued by the Group's associated company, Husky Energy Inc. (5%) (2008 – nil), US Treasury notes (1%) (2008 – 10%) and others (12%) (2008 – nil). Of these US Treasury notes and listed / traded debt securities, 78% (2008 – 73%) are rated at Aaa/AAA with an average maturity of 1.3 years on the overall portfolio. The Group has no exposure in mortgage backed securities, collateralised debt obligations or similar asset classes.

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps and forward rate agreements to manage its interest rate exposure. The Group's main interest rate exposure relates to US dollar, British pound, Euro and HK dollar borrowings.

44 Financial risk management (continued)

(b) Interest rate exposure (continued)

At 31 December 2009, approximately 38% (2008 – approximately 49%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 62% (2008 – approximately 51%) were at fixed rates. The Group has entered into various interest rate agreements with major financial institution counterparties to swap approximately HK$97,813 million (2008 – approximately HK$48,750 million) principal amount of fixed interest rate borrowings to effectively become floating interest rate borrowings. In addition, HK$3,806 million (2008 – HK$3,013 million) principal amount of floating interest rate borrowings were swapped to fixed interest rate borrowings. After taking into consideration these interest rate swaps, approximately 74% (2008 – approximately 67%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 26% (2008 – approximately 33%) were at fixed rates at 31 December 2009.

(c) Foreign currency exposure

For overseas subsidiaries and associates and other investments, which consist of non-HK dollar and non-US dollar assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in the local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cashflow and the relevant debt markets with a view to refinancing these businesses with local currency borrowings in the future when conditions are more appropriate. Exposure to movements in exchange rates for individual transactions (such as major procurement contracts) directly related to the underlying businesses is minimised by using forward foreign exchange contracts and currency swaps where active markets for the relevant currencies exist. The Group generally does not enter into foreign currencies hedges in respect of its long-term equity investments in overseas subsidiaries and associates. During the year, the currencies of most of those countries where the Group has overseas operations strengthened against the Hong Kong dollar. This gave rise to an unrealised gain of HK$15,875 million (2008 – loss of HK$37,046 million) on translation of these operations' net assets to the Group's Hong Kong dollar reporting currency, which was reflected as a movement in the Consolidated Statement of Changes in Equity under the heading of exchange reserve.

At 31 December 2009, the Group had currency swap arrangements with banks to swap US dollar principal amount of borrowings equivalent to HK$28,593 million to Hong Kong dollar (2008 – HK$62 million to non-US dollar) principal amount of borrowings to match the currency exposures of the underlying businesses. The Group's total principal amount of bank and other debts, after the above swaps, are denominated as follows: 30% in HK dollars, 31% in US dollars, 28% in Euro, 5% in British pounds and 6% in other currencies (2008 – 15% in HK dollars, 35% in US dollars, 33% in Euro, 6% in British pounds and 11% in other currencies). During 2008 HTIL closed out all foreign exchange swap contracts under which HTIL agreed to sell Thai Baht and buy US dollar at pre-agreed rates. HTIL entered into these contracts solely to fulfill local exchange control requirements when HTIL injected additional funding into Thailand for repayment of its outstanding external debt in 2007. HTIL recognised a loss of HK$20 million in its income statement in respect of these transactions in 2008.

(d) Credit exposure

The Group's holdings of cash, managed funds and other liquid investments, and interest rate and foreign currency swaps and forward currency contracts with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements, credit ratings and setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities, which is continuously monitored by the local operational management.

(e) Market price risk

The Group's main market price risk exposures relate to listed debt and equity securities described in "liquid assets" above and the interest rate swaps as described in "interest rate exposure" above. The Group's holdings of listed debt and equity securities represented approximately 19% (2008 – approximately 33%) of the liquid assets. The Group controls this risk through monitoring the price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

44 Financial risk management (continued)

(f) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk, currency risk and other price risk) information, HKFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with HKFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and/or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

(i) Interest rate sensitivity analysis

Interest rate risk as defined by HKFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in HKFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments, changes in market interest rates affect their fair value. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 24)
- some of the listed debt securities and managed funds (see note 23) carried at fair value that bear interest at fixed rate
- some of the listed debt securities and managed funds (see note 23) that bear interest at floating rate
- some of the bank and other debts (see note 28) that bear interest at floating rate
- interest bearing loans from minority shareholders (see note 29)

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 100 basis points increase in market interest rate at the end of the reporting period, with all other variables held constant:

- profit for the year would decrease by HK$1,496 million (2008 – HK$1,374 million) due to increase in interest expense;
- total equity would decrease by HK$1,496 million (2008 – HK$1,374 million) due to increase in interest expense; and
- total equity would decrease by HK$72 million (2008 – HK$119 million) mainly due to decrease in value of available-for-sales investments.

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by HKFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of oversea subsidiaries into the Group's presentation currency are therefore not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps and forward currency contracts. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments, changes in foreign exchange rates affect their fair value. All fair value hedges designed for hedging currency risk are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 24)
- some of the liquid funds and other listed investments (see note 23)
- some of the bank and other debts (see note 28)

44 Financial risk management (continued)

(f) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

Under these assumptions, the impact of a hypothetical 10% weakening of HK dollar against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2009		2008	
	Hypothetical increase (decrease) in profit for the year HK$ millions	**Hypothetical increase (decrease) in total equity HK$ millions**	Hypothetical increase (decrease) in profit for the year HK$ millions	Hypothetical increase (decrease) in total equity HK$ millions
EURO	**74**	**74**	79	79
GBP	**105**	**111**	127	(148)
AUD	**241**	**364**	142	197
RMB	**65**	**68**	373	383
USD	**3,127**	**3,130**	2,702	2,704
Japanese Yen	**(265)**	**(265)**	(262)	(262)

(iii) Other price sensitivity analysis

Other price risk as defined by HKFRS 7 arises from changes in market prices (other than those arising from interest rate risk and currency risk as detailed in "interest rate exposure" and "foreign currency exposure" paragraphs above) on financial assets and financial liabilities.

The other price sensitivity analysis is based on the assumption that changes in market prices (other than those arising from interest rate risk and currency risk) of financial assets and financial liabilities only affect profit for the year or total equity if these financial assets and financial liabilities are measured at the fair value. Accordingly, all non-derivative financial assets and financial liabilities carried at amortised cost are excluded from the other price sensitivity analysis as they are not subject to other price risk as defined in HKFRS 7.

Major financial assets and financial liabilities for the purpose of the other price sensitivity analysis include:

- available-for-sale investments (see note 23)
- financial assets at fair value through profit or loss (see note 23)

Under these assumptions, the impact of a hypothetical 10% increase in the market price of the Group's available-for-sale investments and financial assets at fair value through profit or loss at the end of the reporting period, with all other variables held constant:

- profit for the year would increase by HK$61 million (2008 – HK$92 million) due to increase in gains on financial assets at fair value through profit or loss;
- total equity would increase by HK$61 million (2008 – HK$92 million) due to increase in gains on financial assets at fair value through profit or loss; and
- total equity would increase by HK$2,255 million (2008 – HK$2,975 million) due to increase in gains on available-for-sale-investments.

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

	Contractual maturities					
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows	Difference from carrying amount	Carrying amounts
	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2009						
Trade payables	18,409	–	–	18,409	–	18,409
Other payables and accruals	50,108	–	–	50,108	–	50,108
Interest free loans from minority shareholders	2,099	–	–	2,099	–	2,099
Bank loans	8,688	84,818	3,758	97,264	(334)	96,930
Other loans	526	252	174	952	–	952
Notes and bonds	8,310	54,932	97,631	160,873	1,685	162,558
Interest bearing loans from minority shareholders	–	12,750	674	13,424	–	13,424
Obligations for telecommunications licences and other rights	795	2,680	873	4,348	(1,218)	3,130
Fair value hedges						
- Interest rate swaps (net settled)	(549)	49	569	69	83	152
- Cross currency interest rate swaps (net settled)	(683)	429	488	234	96	330
	87,703	155,910	104,167	347,780	312	348,092

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$7,860 million in "within 1 year" maturity band, HK$22,833 million in "after 1 year, but within 5 years" maturity band, and HK$29,013 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year	After 1 year, but within 5 years	After 5 years	Total undiscounted cash flows
	HK$ millions	HK$ millions	HK$ millions	HK$ millions
At 31 December 2009				
Derivative settled gross:				
Cash flow hedges – cross currency interest rate swaps				
– Inflow	19	–	–	19
– Outflow	(24)	–	–	(24)
Cash flow hedges – forward foreign exchange contracts				
– Inflow	2,456	–	–	2,456
– Outflow	(2,440)	–	–	(2,440)

44 Financial risk management (continued)

(g) Contractual maturities of financial liabilities (continued)

	Contractual maturities					
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions	Difference from carrying amount HK$ millions	Carrying amounts HK$ millions
At 31 December 2008						
Trade payables	23,571	–	–	23,571	–	23,571
Other payables and accruals	51,810	–	–	51,810	–	51,810
Interest free loans from minority shareholders	3,465	–	–	3,465	–	3,465
Bank loans	19,022	96,593	20	115,635	(287)	115,348
Other loans	3,842	363	17	4,222	(1)	4,221
Notes and bonds	1,110	64,260	68,657	134,027	4,490	138,517
Interest bearing loans from minority shareholders	–	12,482	866	13,348	–	13,348
Obligations for telecommunications licences and other rights	936	2,630	1,431	4,997	(1,448)	3,549
Fair value hedges - interest rate swaps (net settled)	–	–	–	–	–	–
	103,756	176,328	70,991	351,075	2,754	353,829

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be HK$12,096 million in "within 1 year" maturity band, HK$30,496 million in "after 1 year, but within 5 years" maturity band, and HK$33,429 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

	Contractual maturities			
	Within 1 year HK$ millions	After 1 year, but within 5 years HK$ millions	After 5 years HK$ millions	Total undiscounted cash flows HK$ millions
At 31 December 2008				
Derivative settled gross:				
Cash flow hedges – cross currency interest rate swaps				
– Inflow	47	27	–	74
– Outflow	(77)	(43)	–	(120)
Cash flow hedges – forward foreign exchange contracts				
– Inflow	3,737	3,045	–	6,782
– Outflow	(3,287)	(2,461)	–	(5,748)

(h) In accordance with the disclosure requirement of HKFRS 7, other gains and losses recognised in income statement includes the following items:

	2009 HK$ millions	2008 HK$ millions
Change in fair value of financial assets at fair value through profit or loss	**128**	(313)
Gains (losses) arising on derivatives in a designated fair value hedge	**(1,685)**	5,182
Gains (losses) arising on adjustment for hedged item in a designated fair value hedge	**1,685**	(5,182)
Interest income on available-for-sale financial assets	**845**	1,801

44 Financial risk management (continued)

(i) Fair value of financial instruments

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the statement of financial position at fair value. The amendment to HKFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

The following table provides an analysis of financial instruments that are measured at fair value at 31 December 2009, grouped into Level 1 to Level 3:

	Level 1 HK$ millions	Level 2 HK$ millions	Level 3 HK$ millions	Total HK$ millions
At 31 December 2009				
Financial instruments measured at fair value				
Available-for-sale investments				
– Unlisted equity securities (see note 22)	–	–	1,334	1,334
– Managed funds, outside Hong Kong (see note 23)	14,404	–	–	14,404
– Listed / traded debt securities, outside Hong Kong (see note 23)	848	2,114	–	2,962
– Listed equity securities, Hong Kong (see note 23)	407	–	–	407
– Listed equity securities, outside Hong Kong (see note 23)	3,778	–	1,003	4,781
Financial assets at fair value through profit or loss (see note 23)	–	605	–	605
	19,437	2,719	2,337	24,493
Fair value hedges				
– Interest rate swaps (see note 22)	–	2,561	–	2,561
– Interest rate swaps (see note 31)	–	(152)	–	(152)
– Cross currency interest rate swaps (see note 31)	–	(330)	–	(330)
	–	2,079	–	2,079
Cash flow hedges				
– Forward foreign exchange contracts (see note 25)	–	436	–	436
– Interest rate swaps (see note 26)	–	(20)	–	(20)
– Cross currency interest rate swaps (see note 26)	–	(5)	–	(5)
– Forward foreign exchange contracts (see note 26)	–	(10)	–	(10)
	–	401	–	401

There were no transfers between the Level 1 and Level 2 during the year.

The fair value of financial instruments that are not traded in active market is determined by using valuation techniques.

44 Financial risk management (continued)

(i) Fair value of financial instruments (continued)

Specific valuation techniques used to value financial instruments include discounted cash flow analysis, are used to determine fair value for the financial instruments.

The movements of the balance of financial instruments measured at fair value based on Level 3 are as follows:

	HK$ millions
At 1 January 2009	**2,543**
Total gains (losses) recognised in	
Income statement	**(41)**
Other comprehensive income	**67**
Additions	**4**
Disposals	**(8)**
Transfer to investment in associate	**(228)**
At 31 December 2009	**2,337**
Total losses for the year included in income statement and presented in other operating expenses	**(41)**
Total losses recognised in income statement relating to those instruments held at the end of the reporting period	**(41)**

45 Statement of financial position of the Company, unconsolidated

In accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company as at 31 December 2009 is set out as follows:

	2009 **HK$ millions**	2008 HK$ millions
Assets		
Non-current assets		
Subsidiary companies – Unlisted shares [a]	**39,931**	34,705
Current assets		
Amounts due from subsidiary companies [b]	**66,864**	72,100
Current liabilities		
Bank overdrafts	**2**	2
Other payables and accruals	**54**	82
	56	84
Net current assets	**66,808**	72,016
Net assets	**106,739**	106,721
Capital and reserves		
Share capital (see note 32(a))	**1,066**	1,066
Reserves [c]	**105,673**	105,655
Shareholders' funds	**106,739**	106,721

Fok Kin-ning, Canning
Director

Frank John Sixt
Director

45 Statement of financial position of the Company, unconsolidated (continued)

(a) Particulars regarding the principal subsidiary companies are set forth on pages 221 to 226.

(b) Amounts due from subsidiary companies are interest-free, unsecured and repayable on demand.

(c) Reserves

	Share premium HK$ millions	Retained profit HK$ millions	Total HK$ millions
At 1 January 2008	28,359	67,666	96,025
Profit for the year	–	17,000	17,000
Unclaimed dividend paid write back	–	5	5
Dividends paid relating to 2007	–	(5,201)	(5,201)
Dividends paid relating to 2008	–	(2,174)	(2,174)
At 31 December 2008	**28,359**	**77,296**	**105,655**
Profit for the year	**–**	**7,388**	**7,388**
Unclaimed dividend paid write back	**–**	**5**	**5**
Dividends paid relating to 2008	**–**	**(5,201)**	**(5,201)**
Dividends paid relating to 2009	**–**	**(2,174)**	**(2,174)**
At 31 December 2009	**28,359**	**77,314**	**105,673**

(d) The Company does not have an option scheme for the purchase of ordinary shares in the Company.

(e) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the Company is required to disclose that it has guaranteed the borrowings of its finance and other subsidiary companies which have been consolidated and included in the consolidated statement of financial position of the Group. Of the consolidated borrowings included in note 28 totalling HK$260,440 million (2008 – HK$258,086 million), the Company has guaranteed a total of HK$214,732 million (2008 – HK$191,972 million) which has been borrowed in the name of subsidiary companies.

(f) The Company has provided some guarantees in respect of the bank and other borrowing facilities utilised by the jointly controlled entities totalling HK$8,513 million (2008 – nil) and other guarantees of HK$3,405 million (2008 – nil). These amounts have been included in the Group's contingent liabilities disclosed in note 36.

(g) Pursuant to the disclosure requirement of the Hong Kong Companies Ordinance, the net profit of the Company is HK$7,388 million (2008 – HK$17,000 million) and is included in determining the profit attributable to shareholders of the Company in the consolidated income statement.

(h) Reserves of the Company available for distribution to shareholders of the Company as at 31 December 2009 amounting to HK$77,314 million (2008 – HK$77,296 million).